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Annual Report

of the

Controller

of the

City and County of San Francisco

For the Fiscal Year Ended June 30, 1979



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CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER

DOCUMENTS

January 23, 1981

To Her Honor, the Mayor,
and the honorable the Board of Supervisors
City and County of San Francisco

Ladies and Gentlemen:

The annual report of the Controller for the fiscal year ended June 30, 1979, is submitted herewith, as provided by Section 3.303 of the Charter.

The accounts of the Controller were audited by Touche Ross & Co. by direction of the Board of Supervisors, in accordance with provisions of Section 3.305 of the Charter.

By direction of the Controller, the following audits reported herein were performed by the accounting firms indicated:

San Francisco Airport by Main Hurdman & Cranstoun.

Municipal Railway by John F. Forbes & Co.

San Francisco Water Department and Hetch Hetchy Project by Main Hurdman & Cranstoun.

Port of San Francisco by Main Hurdman & Cranstoun.

San Francisco Wastewater Program by Coopers & Lybrand.

San Francisco Unified School District by Coopers & Lybrand.

San Francisco Community College District by Alexander Grant.

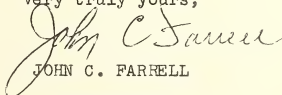
Employees' Retirement System by Hood and Strong.

The audit of the Employees' Retirement System by Hood and Strong are for the three years ended June 30, 1977, 1978 and 1979, since last reported.

As prescribed by Section 3.303 of the Charter, the audit of the Office of the Treasurer of the City and County of San Francisco was made by the Controller's Audit Staff.

Statistical schedules and charts were prepared by the Controller's Division of Accounts and Reports.

Very truly yours,



JOHN C. FARRELL

CONTROLLER

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1978-79

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PREFACE

At the start of fiscal year 1978-79 (this report), on July 1, 1978 the City and County of San Francisco implemented a fully computerized Financial Accounting Management Information System (FAMIS) and some changes in accounting methods.

In 1979, the National Council on Governmental Accounting (NCGA) issued Statement 1, revising and codifying generally accepted accounting principles and reporting practices for state and local governments and Statement 2, enumerating the applicable generally accepted accounting principles for grants, entitlements, and shared revenues received by governmental entities. The City has adopted and made certain changes in accounting principles and reporting practices to conform to the NCGA statements.¹

The statistical tables of Statement of Revenues on the following page 3 and Statement of Expenditures on page 4 as shown in the past, have not been converted to the changes mentioned. It will be noted that different CPAs performed audits of public service enterprises and/or offices. Separate current Statements of Revenues and Expenditures for the Office of the Controller are on pages 34 and 35. The S.F. Unified School District and the S.F. Community College District, who are governed by independent boards, have been excluded and their current Statements of Revenues and Expenditures are on pages 159-163 and 183-187, respectively. Also, during the start of the same period the wastewater (now Clean Water) Program was converted to a public service enterprise and reported separately. The statistical table of Statement of Revenues and Expenses for this enterprise is shown on page 140.

¹ See Note C, TOUCHE ROSS & CO. report, p. 43.

CITY AND COUNTY OF SAN FRANCISCO
STATEMENT OF REVENUES
Fiscal Years 1969-70 to 1978-79
FISCAL YEAR ENDED JUNE 30.

1979 (a)

	1970	1971	1972	1973	1974	1975	1976	1977	1978
Property Taxes and Penalties.	\$249,947,664	\$267,921,106	\$269,642,719	\$279,215,188	\$289,278,248	\$298,681,530	\$325,112,514	\$369,684,158	\$398,922,691
Retail Business and Use Tax.	23,230,279	15,586,244	26,473,058	24,265,846	27,744,171	30,800,037	37,115,288	37,067,431	40,214,534
Hotel Room Tax.	3,940,309	4,442,356	4,952,276	5,121,018	5,551,426	5,922,226	6,889,802	10,561,179	12,119,134
Utility Users Tax.	3,915,034	3,915,034	3,915,034	3,915,034	3,915,034	3,915,034	3,915,034	3,915,034	3,915,034
Other Taxes and Licenses.	1,840,248	2,015,721	2,279,674	2,314,226	2,456,685	2,716,225	3,037,351	4,499,265	5,294,152
Court Fines and Penalties.	4,555,717	4,555,717	4,555,717	4,555,717	4,555,717	4,555,717	4,555,717	4,555,717	4,555,717
Interest Earnings.	12,132,357	12,739,476	11,554,656	14,235,967	22,152,319	24,666,403	55,445,782	66,936,445	86,236,405
Rents, S.F. Unified School District.	310,979	317,321	315,558	313,964	318,407	319,351	316,780	317,181	317,605
Miscellaneous.	1,340,010	2,091,282	3,555,768	3,180,607	188,407	2,449,399	6,079,938	8,242,114	10,008,078
352,579,016	391,341,935	417,845,150	440,046,640	439,556,226	475,726,472	514,172,706	576,575,939	643,580,000	7,200,000
Cash Transferred from Utility Funds.	369,750	144,357	144,357	144,357	144,357	144,357	144,357	144,357	144,357
Cash Transferred from Trust Funds.	352,888,766	391,341,935	417,845,150	440,046,640	439,556,226	475,726,472	514,172,706	576,575,939	643,580,000
Gain on Sale of Capital Assets.	352,888,766	391,341,935	417,845,150	440,046,640	439,556,226	475,726,472	514,172,706	576,575,939	643,580,000
Revenue Sharing.	352,888,766	391,341,935	417,845,150	440,046,640	439,556,226	475,726,472	514,172,706	576,575,939	643,580,000
Revenues Through State of California.	352,888,766	391,341,935	417,845,150	440,046,640	439,556,226	475,726,472	514,172,706	576,575,939	643,580,000
Homeowner's Property Tax Relief.	6,651,774	7,040,392	7,134,249	7,215,411	18,884,089	20,045,270	18,694,367	18,694,367	19,064,848
Business Inventory Tax Relief.	1,857,717	3,365,568	4,178,561	4,178,561	7,250,318	7,250,318	8,324,077	8,324,077	10,561,179
Mandated Costs.	27,081	64,526	32,475	71,998	51,401	635,246	589,224	150,144	215,452
Other.	3,863,142	3,922,270	3,798,554	3,481,919	3,469,424	3,434,684	3,176,702	3,126,800	3,085,691
3,863,142	3,922,270	3,798,554	3,481,919	3,469,424	3,434,684	3,176,702	3,126,800	3,085,691	3,085,691
State and Federal Grants-in-Aid.	2,014,944	2,006,723	2,985,870	2,877,712	3,161,343	3,194,300	3,397,131	2,849,772	2,998,350
Aid to Families with Dependent Children.	30,567,679	38,801,960	48,358,378	47,615,418	47,615,418	48,158,032	52,608,380	54,773,997	54,773,997
Aid to the Elderly.	21,544,145	24,417,374	21,922,441	23,708,914	12,365,023	14,365,023	14,365,023	14,365,023	14,365,023
Aid to Needy Aged.	18,876,979	24,962,001	24,962,001	23,417,937	66,455	66,455	8,566	29,000	29,000
Needy Disabled.	1,027,189	757,326	1,179,857	844,693	1,162,519	1,162,519	1,595,724	1,595,724	2,833
Program Administration.	628,560	628,560	628,560	628,560	628,560	628,560	628,560	628,560	628,560
Adult Categorical Assistance Program.	486,005	638,592	355,781	1,133,667	1,027,607	1,432,929	1,619,957	1,619,957	1,619,957
Homemaker Services.	25,679,885	31,998,275	32,428,150	31,936,610	34,804,195	39,580,922	40,321,202	43,852,690	51,662,755
Adoption Program.	91,608	309,355	310,500	384,893	352,589	352,589	440,184	440,184	440,184
Tuberculosis Aid Specially.	13,685,116	12,841,176	10,644,741	8,673,229	12,169,456	11,371,085	14,466,876	9,957,307	571,424
Mental Hygiene Program.	172,726	160,742	154,728	169,759	197,951	155,649	171,807	218,515	218,515
Alcoholism.	138,870	126,576	116,594	119,128	139,693	120,222	156,657	168,746	168,746
Health Services.	1,317,716	1,414,435	2,187,270	3,217,110	4,197,552	4,686,256	8,882,256	11,053,561	11,053,561
Disaster Control and Corps.	3,025,000	3,025,000	3,025,000	3,025,000	3,025,000	3,025,000	3,025,000	3,025,000	3,025,000
Construction Grants.	341,210	341,210	341,210	341,210	341,210	341,210	341,210	341,210	341,210
Schools Aid for Construction.	354,457	468,089	468,089	468,089	468,089	468,089	468,089	468,089	468,089
Work Incentive, Educational ETP.	754,169	597,231	376,825	228,060	225,246	345,023	346,129	346,129	415,490
Training Program.	754,169	597,231	376,825	228,060	225,246	345,023	346,129	346,129	415,490
Total Revenues.	152,055,999	177,460,035	191,114,903	223,137,480	212,993,426	201,384,765	211,566,174	224,672,306	255,677,364
	\$50,544,165	\$58,981,970	\$69,040,410	\$66,186,120	\$65,251,652	\$68,411,521	\$72,688,688	\$81,389,012	\$90,520,235

* Homemaker Services—Federal included in Adult Categorical Assistance Program in prior years.

(a) See preface on page 2.

CITY AND COUNTY OF SAN FRANCISCO

STATEMENT OF EXPENDITURES

Fiscal Years 1969-70 to 1978-79

FISCAL YEAR ENDED JUNE 30

	1970	1971	1972	1973	1974	1975	1976	1977	1978
Departmental Expenditures:									
General Government	\$ 30,329,669	\$ 32,022,054	\$ 34,201,558	\$ 35,136,856	\$ 41,640,783	\$ 44,096,959	\$ 48,770,199	\$ 51,596,434	\$ 58,658,163
Public Safety	55,419,593	60,031,258	69,109,369	77,417,075	82,690,850	82,690,850	82,690,850	89,014,398	85,271,287
Fire Department	5,881,590	6,630,412	6,738,698	7,293,925	7,590,467	7,643,224	7,643,224	10,446,373	9,256,696
Highways	9,011,477	10,154,082	11,092,100	10,745,445	10,745,445	12,680,985	12,680,985	15,523,340	13,398,603
Sanitation and Waste Removal	36,702,508	37,882,252	38,210,833	32,512,305+	53,216,118	53,216,118	53,216,118	73,691,941	81,090,085
Department of Health	132,924,750	150,650,258	163,779,871	157,599,169+	139,038,650	121,798,626	136,895,596	153,190,328	147,356,987
Public Welfare	6,862,138	7,479,922	8,045,572	8,079,845	8,602,125	9,870,808	10,647,157	11,676,608	13,114,342
Correction	108,463,796	118,165,793	127,946,752	128,192,338	142,041,096	152,403,892	161,370,954	169,060,611	186,157,547
Schools	3,115,498	3,316,753	3,534,711	3,567,491	3,765,331	4,204,207	4,173,263	4,430,247	4,958,855
Liberaries	14,274,286	16,665,593	17,228,525	18,440,694	19,570,698	21,030,177	22,397,048	23,273,345	24,737,025
Recreation									
Total Departmental	410,583,025	451,227,813	489,729,807	501,247,758	517,989,420	532,785,782	569,350,718	604,636,876	644,208,600
Expenditures	12,650,000	13,345,000	15,465,000	15,865,000	14,805,000	14,060,000	16,766,000	16,340,000	15,060,000
Bond Redemption	3,076,401	3,873,077	5,296,246	5,216,043	5,674,255	6,145,523	8,710,227	8,685,563	10,550,348
Penalties and Compensation	1,676,440	1,807,369	1,814,274	2,121,769	3,438,811	6,927,481	6,803,752	8,840,436	11,428,032
Contributions to Retirement Service System	30,588,991	45,476,131	44,553,021	41,454,287	40,658,239	48,490,687	65,692,790	85,280,512	99,238,098
Contribution to Federal Social Security	5,317,650	5,992,033	6,117,091	7,131,145	8,858,326	10,396,840	11,420,380	11,637,563	15,055,165
Judgments and Losses	534,014	196,103	355,304	599,127	1,411,462	1,268,078	1,387,832	1,611,498	2,865,268
Support of Public Service Enterprises:									
Port				584,000				13,458	
Municipal Railway	19,209,091	18,551,096	17,197,155	27,241,777	32,630,438	46,736,043	32,775,244	39,556,245	48,318,776
Capital Additions From Revenues	8,531,754	12,844,177	18,235,274	24,854,398	15,070,019	17,581,849	20,412,973	36,447,007	35,998,378
Transfers to Capital and Trust Funds									
Miscellaneous	157,217	167,310	167,809	171,263	177,271	220,202	178,424	136,735	154,230
Miscellaneous, net	41,986	52,891	43,663	43,302	47,535	34,921	40,014	257,959	141,320
Total Expenditures	\$492,386,549	\$553,532,990	\$599,074,644	\$626,629,889	\$640,760,579	\$684,645,406	\$733,348,254	\$813,449,852	\$883,018,915
Expenditures of Special State & Federal Grants not included in above (fully reimbursable)	\$24,439,900	\$33,869,443	\$39,330,007	\$47,641,585	\$64,831,025	\$88,699,062	\$92,261,944	\$92,261,944	\$92,261,944

*Laguna Honda Hospital included in Hospital Expenditures

CITY AND COUNTY OF SAN FRANCISCO

AIRPORT

STATEMENT OF OPERATIONS
Fiscal Years 1969-70 to 1978-79
FISCAL YEAR ENDED JUNE 30

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Revenues:										
Landing Charges	\$ 3,597,615	\$ 4,892,551	\$ 5,749,330	\$ 5,959,851	\$ 8,522,135	\$ 9,227,281	\$ 9,162,534	\$ 9,657,621	\$ 9,882,013	\$21,169,493
Rentals	3,861,786	3,993,896	4,043,996	4,227,594	4,944,502	7,029,283	7,330,966	7,188,349	7,279,082	8,888,164
Concessions and Other	9,666,591	9,456,015	9,887,887	10,443,475	11,855,981	12,406,506	14,288,200	15,895,459	19,113,039	22,441,477
	17,125,992	18,342,462	19,681,213	20,610,920	25,322,618	28,663,070	30,781,700	32,741,429	36,274,134	52,499,134
Operating Expenses:										
Depreciation	4,078,937	4,128,729	4,421,484	4,389,095	3,961,027	3,955,466	4,182,149	4,756,400	5,507,726	4,973,608
Other Operating Expenses	6,198,772	6,964,243	7,848,631	8,959,750	10,996,019	13,452,871	15,663,840	16,814,891	19,271,445	24,076,713
	10,277,709	11,092,972	12,270,115	13,328,845	14,957,046	17,408,337	19,845,989	21,571,291	24,779,171	29,050,321
Profit from Operations	6,848,283	7,249,490	7,411,098	7,282,075	10,365,572	11,254,733	10,935,711	11,170,138	11,494,963	23,448,813
Other Income	18,651			37,897	314,647	4,237,262	200,935	73,401	1,299,607	2,808,406
	6,866,934	7,249,490	7,411,098	7,319,972	10,680,219	15,491,995	11,136,646	11,243,539	12,794,570	26,257,219
Interest on Bonded Debt	1,706,097	2,642,618	2,806,053	888,581	1,409,522	1,850,882	2,502,389	2,695,123	2,777,772	1,558,931
Other Expenses				1,611,415	499,958	453,109				
	1,706,097	2,642,618	2,806,053	2,499,996	1,909,480	2,303,991	2,502,389	2,695,123	2,777,772	1,558,931
Net Income	\$ 5,160,837	\$ 4,606,872	\$ 4,605,045	\$ 4,819,976	\$ 8,770,739	\$ 13,188,004	\$ 8,634,257	\$ 8,548,416	\$ 10,021,798	\$24,698,284

CITY AND COUNTY OF SAN FRANCISCO
MUNICIPAL RAILWAY

STATEMENT OF OPERATIONS

Fiscal Years ended June 30, 1976-79

FISCAL YEAR ENDED JUNE 30

	1976 (a)	1977 (a)	1972 (a)	1973 (a)	1974 (a)	1975 (a)	1976 (a)	1977 (a)	1978 (a)	1979 (a)
Revenue	\$ 25,361,058	\$ 26,860,681	\$ 26,246,474	\$ 25,230,987	\$ 25,199,012	\$ 25,684,923	\$ 22,351,305	\$ 23,879,794	\$ 23,316,007	\$ 23,879,794
Operating Expenses:										
Depreciation	493,482	506,736	504,849	2,433,455	2,417,251	2,426,225	3,191,705	4,381,585	6,385,323	4,381,585
Other Operating Expense	43,295,061	49,429,096	49,847,032	49,848,025	57,587,920	68,737,978	69,480,803	75,117,276	79,091,495	75,117,276
Profit from Operations . . .	43,888,543	49,935,832	50,251,881	52,281,480	60,005,171	71,164,203	72,672,508	79,498,361	85,676,818	79,498,361
Other Income & Interest	18,527,485*	23,055,151*	24,103,407*	27,050,493*	34,806,159*	45,479,280*	50,321,203*	55,619,067*	60,360,811*	55,619,067*
Other Income & Interest	1,113,992	261,407	195,300	.....	1,342,232	1,702,315	2,304,231	2,044,813	2,160,530	2,044,813
Net Income	17,413,493*	22,793,744*	23,908,107*	27,050,493*	33,463,927*	43,776,965*	48,016,972*	53,574,254*	58,200,281*	53,574,254*
Other Expenses:										
Interest on Bonded Debt .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other .....	.....	.....	.....	102,117	.....	.....	.....	.....	.....	.....
Net Income	\$ 17,413,493*	\$ 22,793,744*	\$ 23,908,107*	\$ 27,152,610*	\$ 33,463,927*	\$ 43,776,965*	\$ 48,016,972*	\$ 53,574,254*	\$ 58,200,281*	\$ 53,574,254*

*Denotes Loss.

(a) Cents Omitted.

CITY AND COUNTY OF SAN FRANCISCO
WATER DEPARTMENT

STATEMENT OF OPERATIONS

Fiscal Years 1969-70 to 1978-79

FISCAL YEAR ENDED JUNE 30

	1970 (a)	1971 (a)	1972 (a)	1973 (a)	1974 (a)	1975 (a)	1976 (a)	1977 (a)	1978 (a)	1979 (a)
Water Sales	\$23,402,627	\$26,264,218	\$27,413,094	\$26,759,102	\$26,924,705	\$29,201,999	\$33,231,583	\$30,409,760	\$33,112,725	\$35,153,901
Operating Expenses:										
Provision for Depreciation	2,614,131	2,750,374	2,881,711	3,104,822	3,492,844	3,602,596	3,627,973	3,883,096	4,024,209	4,125,485
Other Operating Expenses	15,286,273	18,099,635	20,124,120	20,940,555	21,995,125	24,602,836	25,447,037	27,284,932	29,428,493	26,309,960
	17,900,404	20,850,009	23,005,831	24,045,377	25,487,969	28,205,432	29,075,010	31,168,028	33,452,702	30,435,445
Profit from Operations	5,502,223	5,414,209	4,407,263	2,713,725	1,436,736	996,467	4,156,573	758,268*	339,977*	4,718,456
Other Income	1,752,845	1,535,589	1,767,043	2,037,394	1,877,635	1,387,286	1,641,375	1,487,181	1,781,760	1,929,345
	7,255,068	6,949,798	6,174,306	4,751,119	3,314,371	2,383,753	5,797,948	728,913	1,441,783	6,647,801
Other Expenses:										
Interest on Bonded Debt	1,096,251	1,024,863	1,005,727	1,004,342	1,180,179	1,069,438	1,184,347	988,288	1,148,195	1,008,946
Other	98,909	75,757	202,409	157,376	389,629	137,074	98,462	22,947	—	587,394
	1,195,160	1,100,620	1,208,136	1,161,718	1,569,808	1,206,512	1,282,809	1,011,235	1,148,195	1,596,340
Net Income	\$ 6,059,908	\$ 5,849,178	\$ 4,966,170	\$ 3,589,401	\$ 1,744,563	\$ 1,377,241	\$ 4,515,139	\$ 282,222*	\$ 293,588	\$ 5,051,461

*Denotes Loss
(a) Cents Omitted

CITY AND COUNTY OF SAN FRANCISCO
HEATH HEALTHY WATER SUPPLY AND POWER PROJECT

STATEMENT OF OPERATIONS

Fiscal Years 1969-70 to 1975-79

FISCAL YEAR ENDED JUNE 30

	1970 (a)	1971 (a)	1972 (a)	1973 (a)	1974 (a)	1975 (a)	1976 (a)	1977	1978 (a)	1979 (a)
Power Sales	\$ 14,162,668	\$ 14,981,938	\$ 14,501,597	\$ 14,635,098	\$ 14,104,677	\$ 18,485,718	\$ 20,019,191	\$ 43,341,973	\$ 46,945,096	\$ 10,174,464
Sanitary Charge and Sale of Water to the S.F. Water Dept.	2,500,000	4,500,000	5,000,000	5,500,000	6,000,000	6,500,000	6,500,000	8,000,000	7,115,000	7,150,000
Operating Expenses:										
Provision for Depreciation	3,240,410	3,424,734	3,428,870	3,501,544	4,126,214	4,135,337	3,937,304	3,938,275	3,940,125	
Other Operating Expenses	5,479,963	7,103,434	6,864,005	9,268,558	7,467,701	7,916,897	11,919,839	45,002,763	40,260,269	
	8,720,373	10,528,168	10,292,875	12,770,102	11,593,915	12,052,234	15,857,143	48,941,038	44,200,394	17,659,335
Profit from Operations	7,942,295	8,953,770	9,208,722	7,364,996	8,510,762	12,933,484	10,662,048	2,400,935	9,919,702	19,865,129
Other Income	89,828	370,824	458,129	154,377	229,366	167,717	560,698	304,561	796,321	224,817
	8,032,123	9,324,594	9,666,851	7,519,373	8,740,128	13,101,201	11,222,746	2,705,496	10,716,023	20,089,946
Other Expenses:										
Interest on Bonded Debt	1,542,860	1,456,992	1,238,339	1,203,104	2,461,150	2,221,018	1,980,012	1,741,465	1,503,683	1,300,139
Other	899,315	1,303,750	1,002,082	1,060,091	1,462,974	1,179,931	1,511,253	1,122,723	985,285	1,211,221
	2,442,175	2,760,742	2,240,421	2,263,195	3,924,124	3,400,949	3,491,265	2,864,188	2,488,968	2,517,360
Net Income	\$ 5,589,948	\$ 6,563,852	\$ 7,326,430	\$ 5,256,178	\$ 4,816,004	\$ 9,700,252	\$ 7,731,481	158,692*	\$ 8,227,055	\$ 17,572,586

*Denotes Loss

(a) Cents Omitted.

CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO

STATEMENT OF OPERATIONS

Fiscal Years 1970-71 to 1978-79

Fiscal Year Ended June 30

	1971	1972	1973	1974	1975	1976	1977	1978	1979
Revenues:									
Port Operations	\$ 3,731,924	\$ 3,173,379	\$ 3,291,606	\$ 3,482,239	\$ 3,485,657	\$ 3,094,967	\$ 3,577,643	\$ 4,023,379	\$ 6,048,508
Property Rentals	5,567,231	6,024,658	7,699,742	8,184,407	8,741,421	9,293,639	9,799,663	10,706,332	9,561,337
Other	1,033,437	1,018,424	1,403,215	1,344,639	1,454,749	1,691,520	1,958,990	3,062,214	2,602,315
	<u>10,132,592</u>	<u>10,216,461</u>	<u>12,394,563</u>	<u>13,011,285</u>	<u>13,681,827</u>	<u>14,080,126</u>	<u>15,265,596</u>	<u>17,792,025</u>	<u>18,212,160</u>
Operating Expenses:									
Depreciation	1,644,228	1,924,176	2,208,786	2,225,548	2,559,056	2,404,357	2,762,741	3,018,319	2,967,167
Other	7,335,379	6,339,557	7,142,230	7,818,814	8,607,927	8,964,894	9,231,560	11,507,852	10,368,735
	<u>8,979,607</u>	<u>8,263,733</u>	<u>9,351,016</u>	<u>10,044,362</u>	<u>11,166,983</u>	<u>11,369,251</u>	<u>11,994,401</u>	<u>14,526,171</u>	<u>13,335,902</u>
Profit from Operations:	<u>1,152,985</u>	<u>1,952,728</u>	<u>3,043,547</u>	<u>2,966,923</u>	<u>2,514,844</u>	<u>2,690,875</u>	<u>3,271,195</u>	<u>3,265,654</u>	<u>4,876,258</u>
Belt Railroad:									
Income	266,433	175,258	186,970	118,406	—	—	—	—	—
Expense	624,483	515,839	436,672	239,184	—	—	—	—	—
	<u>358,050*</u>	<u>340,581*</u>	<u>249,702*</u>	<u>120,778*</u>	—	—	—	—	—
Other Income:									
Interest	1,167,930	701,820	687,767	1,972,338	1,561,095	1,079,118	838,450	849,443	1,131,269
Other	271,800	—	—	—	—	2,538,853	171,657	1,287,518	217,610
	<u>1,439,730</u>	<u>701,820</u>	<u>687,767</u>	<u>1,972,338</u>	<u>1,561,095</u>	<u>3,617,971</u>	<u>1,010,107</u>	<u>2,137,061</u>	<u>1,348,879</u>
Other Expenses:									
Interest on Bonded Debt	1,815,850	1,980,244	3,212,191	3,975,493	3,861,677	4,315,505	4,204,742	4,102,199	3,994,363
Other	7,718	31,541	17,384	337,184	—	933,333	—	—	—
	<u>1,823,568</u>	<u>2,011,785</u>	<u>3,229,575</u>	<u>4,312,677</u>	<u>3,861,677</u>	<u>5,248,838</u>	<u>4,102,099</u>	<u>—</u>	<u>—</u>
Net Income:	<u>\$ 411,097</u>	<u>\$ 302,182</u>	<u>\$ 252,037</u>	<u>\$ 505,806</u>	<u>\$ 214,362</u>	<u>\$ 1,060,008</u>	<u>\$ 76,660</u>	<u>\$ 1,300,516</u>	<u>\$ 2,230,174</u>

* Denotes loss.

§ Jurisdiction of the Port of San Francisco was turned over to the City and County of San Francisco by the State of California on February 7, 1969. Fiscal year 1969-70 was the first complete year of operations by San Francisco.

CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WASTEWATER PROGRAM

STATEMENT OF OPERATIONS

Fiscal Years 1977-78 and 1978-79

FISCAL YEARS ENDED JUNE 30.

	1978 (a)	1979 (a)
Revenues.....	\$ 24,082,801	\$ 33,413,891
Operating Expenses:		
Depreciation	2,690,198	2,707,664
Other Operating Expenses.....	9,753,890	11,443,651
	12,444,088	14,151,315
Profit from Operations.....	11,638,713	19,262,576
Other Income & Interest.....	1,382,403	10,512,344
	13,021,116	29,774,920
Other Expenses:		
Interest on Bonded Debts.....	6,439,530	8,286,138
Net Income.....	\$ 6,581,586	\$ 21,488,782

(a) Cents Omitted

CITY AND COUNTY OF SAN FRANCISCO
ADDITIONS TO PROPERTIES
FOR THE TEN-YEAR PERIOD - JULY 1, 1969 TO JUNE 30, 1979

	INCREASE OR (DECREASE)			BALANCE JUNE 30, 1979		
	TOTAL	LAND	STRUCTURES & IMPROVEMENTS	TOTAL	LAND	STRUCTURES & IMPROVEMENTS
GENERAL GOVERNMENT:						
Civil Center & City Hall	\$ 5,203,250	\$	\$ 4,696,424	\$ 18,138,191	\$ 1,798,522	\$ 9,344,722
PUBLIC SAFETY:						
Fire Department	1,696,946		928,017	35,829,532	2,251,604	24,502,611
Police Department	1,604,221		3,271	16,734,083	1,352,193	5,452,305
Department of Electricity	30,730		45,150	2,075,027	44,001	1,767,744
HIGHWAYS:						
Streets, Tunnels, Bridges, etc.	19,009,864		18,857,198	199,279,503	19,738,197	177,977,283
Asphalt Plant				855,987		691,254
Off-Street Parking	647,834		647,834	6,732,371	5,169,029	1,563,342
SANITATION:						
Sewers & Sewage Disposal Plant*	60,581			1,957,473	15,000	65,143
Street Cleaning Department				80,143		
Garbage Incinerator						
HEALTH CONSERVATION:						
City and County Health Building	46,299			1,512,165	26,778	1,239,867
Alameda Health Center	18,488			2,119,000	158,013	1,013,137
HOSPITALS:						
S.F. General Hospital	423,604		1,280	38,829,868	674,927	31,444,072
Emergency Hospital	6,927			1,386,765	5,801	56,808
Laguna Honda Hospital	129,165		364	12,261,382	25,062	10,376,067
SOCIAL SERVICES:						
Department of Social Services	451,850			1,349,081	137,500	288,530
CORRECTIONS:						
County Jails				1,277,386	39,048	1,207,397
Juvenile Detention Home				368,116	10,310	245,444
Youth Guidance Center				4,600,325	50,400	4,344,720
Juvenile Log Cabin Ranch				620,749	25,110	553,023
SCHOOLS: *						
RECREATION:						
Parks and Playgrounds	1,103,644		6,776	12,979,768	431,024	2,377,161
Washburn Art Galleries, etc.	24,323,502	567,900	23,567,260	90,449,908	33,613,989	53,498,677
Washburn Art and Opera House	1,078,759		1,537,809	4,355,114		3,555,443
Auditorium and Exhibit Hall	8,665			5,668,937	613,137	4,895,876
Golf Links				2,821,696	701,437	1,985,616
Kezar Stadium				2,042,438	745,205	1,297,233
Yerba Buena Sports Arena	7,800,246		7,800,246	2,012,920	222,831	1,096,089
OTHERS:						
General Whse. and Corp. Yard				25,672,259		
Retirement System				1,481,056	484,460	988,115
Relinquished War Housing				47,205		4,001
General City Facilities Improv.	61,408,772		61,407,570	400,621	400,621	
Miscellaneous	737	737		61,408,772	111,567	61,407,570
TOTAL	\$125,655,092	\$568,637	\$119,499,199	\$558,610,433	\$68,885,160	\$483,436,264
						\$58,318,909

* Transferred and carried separately, Sewers & Sewage Disposal Plant as FSE to Wastewater Program, and Schools as districts with independent ruling boards.

CITY AND COUNTY OF SAN FRANCISCO

ASSESSMENT ROLLS

Fiscal Years 1970-71 to 1979-80

	Land	Improvements	Tangible Personal Property	Veterans' and Other Exemptions	Total Assessed Value Subject To City & Co. Ad Valorem Rate	Rate
1970-71 Unsecured - City and County Assessor	4,250,284	52,913,391	188,988,069	31,055,283	215,096,471	12.29
Secured - City and County Assessor	23,143,580	1,177,738,579	49,693,517	166,986,931	1,799,628,754	12.82
Secured - State Board of Equalization	22,040,660	112,525,030	62,624,250	.....	197,589,940	12.82
Total	\$765,474,543	\$1,343,577,000	\$301,305,836	\$198,042,214	\$2,212,315,165	-
1971-72 Unsecured - City and County Assessor	6,534,446	59,314,389	184,183,362	26,951,813	223,080,384	12.82
Secured - City and County Assessor	754,525,080	1,212,739,291	45,758,787	179,208,360	1,833,814,788	12.73
Secured - State Board of Equalization	22,113,050	117,989,660	61,072,140	.....	201,174,880	12.73
Total	\$783,172,576	\$1,390,043,260	\$291,014,289	\$206,160,173	\$2,258,070,052	-
1972-73 Unsecured - City and County Assessor	6,187,891	58,429,025	199,799,419	29,785,753	234,630,582	12.73
Secured - City and County Assessor	778,882,415	1,267,893,196	38,793,235	182,920,439	1,902,648,407	12.59
Secured - State Board of Equalization	22,108,000	123,994,180	60,888,430	156	206,990,454	12.59
Total	\$807,178,306	\$1,450,316,401	\$299,481,084	\$212,706,348	\$2,344,269,443	-
1973-74 Unsecured - City and County Assessor	6,816,709	60,683,150	211,918,599	44,764,168	234,724,290	12.59
Secured - City and County Assessor	811,170,031	1,324,237,881	48,418,530	297,005,448	1,886,820,994	12.25
Secured - State Board of Equalization	25,885,900	122,090,820	61,765,260	.....	209,541,980	12.25
Total	\$843,742,640	\$1,507,011,851	\$322,102,389	\$341,769,616	\$2,331,087,264	-
1974-75 Unsecured - City and County Assessor	6,596,355	72,446,013	244,333,952	68,974,226	254,402,094	12.25
Secured - City and County Assessor	815,191,550	1,376,156,339	38,741,190	297,906,073	1,932,183,006	12.75
Secured - State Board of Equalization	24,953,970	121,578,910	64,806,570	.....	211,339,450	12.75
Total	\$846,741,875	\$1,570,181,262	\$347,881,712	\$366,880,299	\$2,397,924,550	-
1975-76 Unsecured - City and County Assessor	7,532,478	77,909,729	262,685,306	65,627,384	282,500,129	12.75
Secured - City and County Assessor	1,028,999,833	1,706,916,264	57,790,801	338,120,682	2,455,586,216	11.50
Secured - State Board of Equalization	23,296,030	127,731,250	64,730,370	.....	215,757,650	11.50
Total	\$1,059,828,341	\$1,912,557,243	\$385,206,477	\$403,748,066	\$2,953,843,995	-
1976-77 Unsecured - City and County Assessor	8,317,971	168,328,124	294,111,376	88,490,775	322,306,696	11.50
Secured - City and County Assessor	1,034,373,238	1,806,856,186	49,256,025	336,702,056	2,553,783,393	12.82
Secured - State Board of Equalization	24,346,400	139,340,960	72,342,070	.....	236,029,430	12.82
Total	\$1,067,037,609	\$2,054,525,270	\$415,709,471	\$425,152,831	\$3,112,119,519	-
1977-78 Unsecured - City and County Assessor	8,876,421	121,330,861	291,081,788	84,574,458	336,714,612	12.82
Secured - City and County Assessor	1,128,641,163	1,992,368,474	59,292,157	350,818,820	2,829,482,974	11.70
Secured - State Board of Equalization	24,692,540	159,205,160	82,179,810	.....	266,077,510	11.70
Total	\$1,162,210,124	\$2,272,904,495	\$432,553,755	\$435,393,278	\$3,432,275,096	-
1978-79 Unsecured - City and County Assessor	9,618,324	156,802,099	295,694,432	88,449,489	373,665,366	11.70
Secured - City and County Assessor	1,218,412,166	2,213,813,287	55,877,945	358,389,096	3,129,714,302	5.06
Secured - State Board of Equalization	24,392,720	232,718,000	15,498,380	43,647,082	228,962,018	5.06
Total	\$1,252,423,210	\$2,603,333,386	\$367,070,757	\$490,485,667	\$3,732,341,686	-
1979-80 Unsecured - City and County Assessor	13,097,738	172,910,811	307,053,515	79,489,103	413,572,961	5.06
Secured - City and County Assessor	1,295,493,292	2,389,934,947	56,531,271	358,669,499	3,383,290,011	4.97
Secured - State Board of Equalization	26,421,410	260,735,570	16,346,810	9,270	303,894,520	4.97
Total	\$1,333,412,440	\$2,823,581,328	\$379,931,596	\$438,167,872	\$4,100,757,492	-

(1)

Unsecured - 1979-80 HOMEOWNER and BUSINESS Inventory Exemptions. The amount of tax reduction for these exemptions is reimbursed by the State of California.

CITY AND COUNTY OF SAN FRANCISCO

DETAIL OF TAX RATES

Fiscal Years 1970-71 to 1979-80

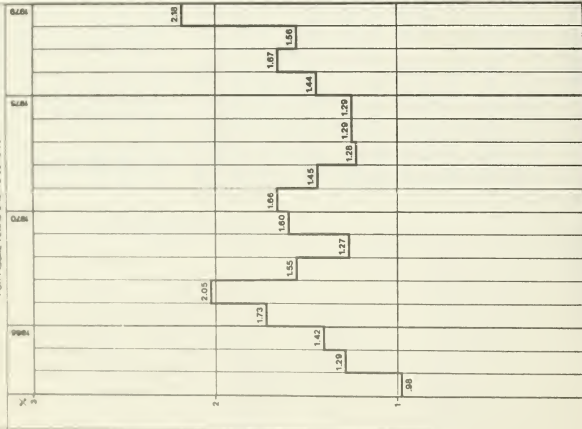
	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
General Fund - Charter Limit \$1.65	\$.102930	\$.230075	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
General Fund - Other Necessary Expenditures	4.157511	5.244853*	5.170080*	4.878408*	4.486090	4.746029	5.667108	4.748279	2.570562	3.599658
Open Space Acquisition & Park Renovation .....	.571177	.598179	.560000	.592068	.589931	.100000	.100000	.100000	—	—
Recreation and Park .....						.543612	.405527	.405527	—	—
Library .....	.208552	.212419	.216428	.208653	.241747	.199458	.200278	.200201	—	—
Fine Arts Museums of San Francisco** .....	.078783	.080011	.075649	.087197	.092687	.070576	.076584	.074519	—	—
Employees' Retirement	1.439035	.056586*	.145244*	.155080*	.223215*	.156124*	.170889*	.182781*	—	—
Lighting of Public Streets and Buildings .....	.100973	.053163	.059361	.067395	.067023	.057988	.086096	.128938	—	—
Special Election									—	—
War Memorial .....	.025964	.028678	.025928	.031465	.034621	.025269	.029746	.031639	—	—
Emergency Reserve — Restricted Fund .....	.845309	.736448	.977912	.929672	1.657320	.786067	1.140346	1.316150	—	—
Municipal Railway									—	—
Bond Interest and Redemption .....									.681098	623765
Bay Area Sewage Service Agency	7.530234	7.240412	7.230602	6.950138	7.392634	6.685123	7.983412	7.269795	3.251660	4.223423
Bay Area Air Pollution Control .....					.003872	.002657	.000929	.....	—	—
District Assessment .....	.012814	.021672	.018010	.020572	.019581	.016443	.019565	.018121	.006001	.008337
Total for City and County of San Francisco	7.543048	7.262084	7.248612	6.970710	7.416087	6.704223	8.003906	7.287916	3.257661	4.231760
S.F. Unified School District — General	4.029669	4.106344	4.032816	4.020663	4.030781	3.672071	3.741925	3.339043	1.183644	.309282
S.F. Unified School District — Debt Service .....									.022902	.030235
S. F. Community College District .....	.682283	.657572	.657572	.649627	.742132	.624706	.603169	.637041	.221563	.057521
S. F. Bay Area Rapid Transit District .....	.565000	.704000	.651000	.609000	.561000	.499000	.471000	.436000	.374230	.341202
Total Tax Rate	\$12.82	\$12.73	\$12.59	\$12.25	\$12.75	\$11.50	\$12.82	\$11.70	\$5.06	\$4.97

*Retirement contribution included in fund rate. This rate includes only worker compensation requirements of the General Fund and other requirements which may not be chargeable to any specific fund.

**The Fine Arts Museums of San Francisco is a consolidation of the California Palace of the Legion of Honor and the de Young Memorial Museum.

CITY AND COUNTY OF SAN FRANCISCO PERCENTAGES OF TAX DELINQUENCY

FOR FISCAL YEARS ENDING JUNE 30



J.C. FARRELL, CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO AMOUNTS OF TAX LEVIES AND DELINQUENCIES FISCAL YEARS 1953-54 TO 1978-79

FISCAL YEAR	AMOUNT OF LEVY	UNCOLLECTED AT JUNE 30 AMOUNT	UNCOLLECTED AT JUNE 30 %	AMOUNT	UNCOLLECTED AT JUNE 30, '78 %
1953-54	\$ 76,082,542	\$ 716,632	.94	\$ 84,217	.11
1954-55	84,217,542	726,632	.86	95,434	.11
1955-56	89,393,723	799,155	.89	116,282	.13
1956-57	93,280,475	882,671	.95	94,128	.10
1957-58	99,165,664	942,150	.95	93,560	.09
1958-59	103,591,182	992,948	.96	113,698	.11
1959-60	111,875,051	1,232,046	1.10	120,600	.11
1960-61	121,671,012	1,333,620	1.10	134,129	.11
1961-62	124,811,125	1,294,666	1.04	163,310	.13
1962-63	141,781,663	1,387,550	.98	159,025	.11
1963-64	142,253,147	1,842,177	1.29	263,311	.19
1964-65	151,292,591	2,142,509	1.42	233,829	.16
1965-66	170,255,114	2,849,708	1.67	311,151	.18
1966-67	183,368,084	3,017,082	1.65	742,167	.40
1967-68	196,164,232	3,017,020	1.55	172,748	.09
1968-69	222,209,593	2,831,440	1.27	136,758	.06
1969-70	261,131,293	4,201,395	1.60	228,615	.09
1970-71	281,166,921	4,665,821	1.66	268,441	.10
1971-72	287,089,538	4,164,120	1.45	448,822	.16
1972-73	296,343,663	3,804,631	1.28	625,846	.21
1973-74	304,536,237	3,680,938	1.29	744,932	.26
1974-75	342,587,965	3,918,132	1.29	891,378	.29
1975-76	394,145,023	4,928,559	1.44	1,256,662	.37
1976-77	403,936,057	6,601,101	1.67	4,463,241	1.13
1977-78	213,516,144	4,301,489	2.00	3,103,503	1.56
1978-79		4,703,061	2.16	4,703,061	2.16

CITY AND COUNTY OF SAN FRANCISCO

TAX YIELD
FISCAL YEAR 1979-80RATE
PER
\$100Taxes on Property Assessed by
City and County:Real Estate, Improvements and
Secured Personal Property:

	<u>VALUATION</u>	<u>TAX YIELD</u>	
Real Estate and Improvements	\$3,685,428,239		
Personal Property	<u>56,531,271</u>		
	3,741,959,510		
Less Exemptions	<u>358,669,499</u>		
Total	\$3,383,290,011	\$168,148,049.84	\$4.97

Unsecured Property:

Real Estate and Improvements	186,008,549		
Personal Property	<u>307,053,515</u>		
	493,062,064		
Less Exemptions	<u>79,489,103</u>		
Total	\$ 413,572,961	21,627,387.07	5.06

Total Assessed by City and
County Assessor

\$3,796,862,972	\$189,775,436.91
-----------------	------------------

Taxes on Property Assessed by
State Board of Equalization:

Real Estate and Improvements	\$ 287,556,980
Personal Property	<u>16,346,810</u>
	303,903,790
Less Exemptions	<u>9,270</u>

Total Assessed by State Board
of Equalization

\$ 303,894,520	\$ 15,103,557.34	4.97
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Total of Above Assessments

\$4,100,757,492

Total Tax Yield

\$204,878,994.25

STATEMENT OF BONDING CAPACITY OF SAN FRANCISCO
AS AT JUNE 30, 1979
(Excluding Bonding Capacity of the S.F. Unified School District
and the S.F. Community College District (1))

Maximum Limit:

12% of the 1979-80 Assessment Roll (\$4,358,596,449) \$523,031,574

Bonded Debt Limit June 30, 1979:

Total	\$382,409,000*	
Exempt from 12% Limit		
Exemption per Note No. 2	<u>283,243,000</u>	<u>\$ 99,166,000</u>
Limit of Future Bond Sales (Subject to 12% Limit)		<u><u>\$423,865,574</u></u>

Unissued Bonds June 30, 1979:

	<u>Subject to 12% Limit</u>	<u>Exempt From 12% Limit</u>	<u>Total</u>
1971 Harbor Improvement	\$	\$ 4,000,000	
1972 Water Supply System		11,075,000	
1974 Fire Protection	1,040,000		
1977 Irrigation System	3,710,000		
1977 Fire Protection	<u>2,270,000</u>		
	<u>\$7,020,000</u>	<u>\$15,075,000</u>	<u>\$ 22,095,000**</u>

* Excludes \$311,510,000 principal amount of revenue bonds outstanding.

** Excludes \$185,000,000 unsold Sewer Revenue Bonds.

- (1) The City and County of San Francisco is a municipal corporation known by the name as San Francisco. It performs all functions of a City and County.

The San Francisco Unified School District and the San Francisco Community College District are the only school districts in San Francisco with geographic boundaries coterminous with the boundaries of San Francisco.

The Education Code of the State of California, Section 15102 and 15106 provides that the total amount of bonds issued shall not exceed 5 percent of the taxable property of the district as shown by the last equalized assessment roll, which percentage would then be 10% for the San Francisco Unified School District which comprises the elementary and high school districts, and 5 percent for the San Francisco Community College District. To date the School Districts have issued \$550,000 in revenue bonds.

STATEMENT OF BONDING CAPACITY OF SAN FRANCISCO
AS AT JUNE 30, 1979 (Continued)

All other items herein designated "School Bonds" are general obligation bonds of the City and County of San Francisco for school purposes.

- (2) Section 6.401 of the Charter provides that the bonded debt shall not exceed 12% of the assessed value of all real and personal property in the City and County, subject to the City and County taxes, exclusive of bonds issued for the following purposes:
- (a) For water supply, storage or distribution purposes.
 - (b) For financing public improvements pursuant to Section 7.302 of the Charter, the cost of which is to be assessed against private property benefited thereby.
(None Issued)
 - (c) The acquisition, construction, or completion of air transport facilities.
 - (d) Sewers and sewerage collection, disposal and treatment and water pollution control, provided however that any bonded indebtedness for sewers, and sewerage collection, disposal and treatment, and for water pollution control, must be financed by sewerage service charges for the foregoing exclusion to be applicable. Ordinance No. 212-71 of the City and County of San Francisco has enacted a sewer service charge to become operative on and after September 1, 1971.
 - (e) For the acquisition, construction, improvement and development of the harbor of San Francisco.
 - (f) For the construction, completion or acquisition of foreign trade zones.

ANNUAL REVENUE BOND INTEREST AND REDEMPTION REQUIREMENTS
FOR S.F. COMMUNITY COLLEGE STUDENT UNION, RESIDENTIAL REHABILITATION
S.F. INTERNATIONAL AIRPORT AND S.F. PORT COMMISSION
JUNE 30, 1979

S.F. COMMUNITY COLLEGE STUDENT UNION &
RESIDENTIAL REHABILITATION

PUBLIC SERVICE ENTERPRISES

FISCAL YEAR	GRAND TOTALS	TOTAL	BOND REDEMPTION	BOND INTEREST	TOTAL	BOND REDEMPTION	BOND INTEREST
1979-80	\$ 19,771,388	\$ 376,800	\$ 85,000	\$ 291,800	\$ 19,394,588	\$ 1,875,000	\$ 17,519,588
1980-81	19,826,932	470,031	185,000	285,031	19,356,901	1,990,000	17,366,901
1981-82	19,809,268	470,388	195,000	275,388	19,338,880	2,135,000	17,203,880
1982-83	20,816,101	470,231	205,000	265,231	20,345,870	3,320,000	17,025,870
1983-84	20,779,974	469,562	215,000	254,562	20,310,412	3,550,000	16,760,412
1984-85	20,722,070	473,381	230,000	243,381	20,248,689	3,770,000	16,478,689
1985-86	20,691,406	476,413	245,000	231,413	20,214,993	4,035,000	16,179,993
1986-87	20,747,651	478,675	260,000	218,675	20,268,976	4,410,000	15,858,976
1987-88	20,690,099	475,294	270,000	205,294	20,214,805	4,700,000	15,514,805
1988-89	20,721,714	481,144	290,000	191,144	20,240,570	5,095,000	15,145,570
1989-90	20,649,399	476,225	300,000	176,225	20,173,174	5,425,000	14,748,174
1990-91	20,257,756	480,538	320,000	160,538	19,777,218	5,380,000	14,397,218
1991-92	20,283,324	478,750	335,000	143,750	19,804,574	5,760,000	14,044,574
1992-93	19,953,963	481,462	355,000	126,462	19,472,501	5,790,000	13,682,501
1993-94	19,972,615	478,081	370,000	108,081	19,494,534	6,195,000	13,299,534
1994-95	19,995,564	478,806	390,000	88,806	19,516,758	6,630,000	12,886,758
1995-96	20,012,802	483,375	415,000	68,375	19,529,427	7,090,000	12,439,427
1996-97	20,030,571	481,788	435,000	46,788	19,548,783	7,590,000	11,958,783
1997-98	19,833,745	269,550	240,000	29,550	19,564,195	8,125,000	11,439,195
1998-99	19,844,788	271,781	255,000	16,781	19,573,007	8,690,000	10,883,007
1999-00	27,117,261	20,050	10,000	10,050	27,097,211	17,100,000	9,997,211
2000-01	19,043,664	24,750	15,000	9,750	19,018,914	9,950,000	9,068,914
2001-02	24,165,733	24,300	15,000	9,300	24,141,433	15,920,000	8,221,433
2002-03	18,738,741	23,850	15,000	8,850	18,714,891	11,390,000	7,324,891
2003-04	18,734,207	23,400	15,000	8,400	18,710,807	12,190,000	6,520,807
2004-05	18,723,209	22,950	15,000	7,950	18,700,259	13,040,000	5,660,259
2005-06	18,717,204	22,500	15,000	7,500	18,694,704	13,955,000	4,739,704

<u>FISCAL YEAR</u>	<u>GRAND TOTALS</u>	<u>TOTAL</u>	<u>BOND REDEMPTION</u>	<u>BOND INTEREST</u>	<u>TOTAL</u>	<u>BOND REDEMPTION</u>	<u>BOND INTEREST</u>
2006-07	\$ 18,711,594	\$ 22,050	\$ 15,000	\$ 7,050	\$ 18,689,544	\$ 14,935,000	\$ 3,754,544
2007-08	18,696,829	21,600	15,000	6,600	18,675,229	15,975,000	2,700,229
2008-09	7,128,630	21,150	15,000	6,150	7,107,480	5,535,000	1,572,480
2009-10	7,158,940	20,700	15,000	5,700	7,138,240	5,920,000	1,218,240
2010-11	7,194,610	20,250	15,000	5,250	7,174,360	6,335,000	839,360
2011-12	7,238,720	24,800	20,000	4,800	7,213,920	6,780,000	433,920
2012-13	24,200	24,200	20,000	4,200			
2013-14	23,600	23,600	20,000	3,600			
2014-15	23,000	23,000	20,000	3,000			
2015-16	22,400	22,400	20,000	2,400			
2016-17	21,800	21,800	20,000	1,800			
2017-18	21,200	21,200	20,000	1,200			
2018-19	20,600	20,600	20,000	600			
	\$616,937,272	\$9,471,425	\$5,930,000	\$3,541,425	\$607,465,847	\$250,580,000	\$356,885,847

ANNUAL BOND INTEREST AND REDEMPTION REQUIREMENTS
(GENERAL OBLIGATION BONDS AND PORT COMMISSION ASSUMED BONDS)
JUNE 30, 1979

GENERAL CITY INCLUDING
S.F. UNIFIED SCHOOL DISTRICT

PUBLIC SERVICE ENTERPRISES

FISCAL YEAR	GRAND TOTALS	TOTAL	BOND REDEMPTION	BOND INTEREST	TOTAL	BOND REDEMPTION	BOND INTEREST
1979-80	\$ 52,891,125	\$ 26,836,399	\$ 16,929,000	\$ 9,907,399	\$ 26,054,726	\$ 17,459,000	\$ 8,595,726
1980-81	51,268,325	25,571,199	16,475,000	9,096,199	25,697,126	17,834,000	7,863,126
1981-82	48,529,725	24,446,346	16,135,000	8,291,346	24,083,379	16,974,000	7,109,379
1982-83	45,999,862	23,006,434	15,510,000	7,496,434	22,993,428	16,634,000	6,359,428
1983-84	42,023,369	21,186,611	14,485,000	6,701,611	20,836,758	15,214,000	5,622,758
1984-85	38,576,271	19,587,964	13,650,000	5,937,964	18,988,307	14,043,000	4,945,307
1985-86	33,693,783	17,708,999	12,505,000	5,203,999	15,984,784	11,677,000	4,307,784
1986-87	29,335,854	14,332,906	9,805,000	4,527,906	15,002,948	11,185,000	3,817,948
1987-88	26,426,388	12,781,849	8,800,000	3,981,849	13,674,539	10,320,000	3,354,539
1988-89	21,968,650	11,593,621	8,130,000	3,463,621	10,375,029	7,435,000	2,940,029
1989-90	20,924,455	11,106,381	8,125,000	2,981,381	9,868,074	7,270,000	2,598,074
1990-91	18,287,298	8,713,650	6,205,000	2,508,650	9,573,648	7,310,000	2,263,648
1991-92	17,133,655	8,628,492	6,465,000	2,163,492	8,505,163	6,570,000	1,935,163
1992-93	15,531,581	8,544,155	6,740,000	1,804,155	6,987,426	5,375,000	1,612,426
1993-94	14,497,194	8,035,547	6,600,000	1,435,547	6,461,647	5,120,000	1,341,647
1994-95	11,669,982	6,869,250	5,605,000	1,084,250	4,980,732	3,910,000	1,070,732
1995-96	8,733,045	4,864,675	4,070,000	794,675	3,868,370	2,985,000	883,370
1996-97	8,686,324	4,879,088	4,315,000	564,088	3,807,236	3,080,000	727,236
1997-98	8,236,297	4,894,612	4,575,000	319,612	3,341,685	2,770,000	571,685
1998-99	8,200,725	4,845,000	4,845,000	96,900	3,258,825	2,825,000	433,825
1999-00	2,343,875				2,343,875	2,030,000	313,875
2000-01	1,434,000				1,434,000	1,200,000	234,000
2001-02	1,372,800				1,372,800	1,200,000	172,800
2002-03	1,311,600				1,311,600	1,200,000	111,600
2003-04	450,400				450,400	400,000	50,400
2004-05	425,200				425,200	400,000	25,200
	\$530,031,783	\$268,350,078	\$189,989,000	\$78,361,078	\$261,681,705	\$192,420,000	\$69,261,705

Note: Unsold general city General obligation bonds at June 30, 1979 in the amount of \$7,020,000 are not included.

Unsold public service enterprises General obligation bonds at June 30, 1979 in the amount of \$15,075,000 are not included.

ANNUAL REVENUE BOND INTEREST AND REDEMPTION REQUIREMENTS
SEWER REVENUE
JUNE 30, 1979

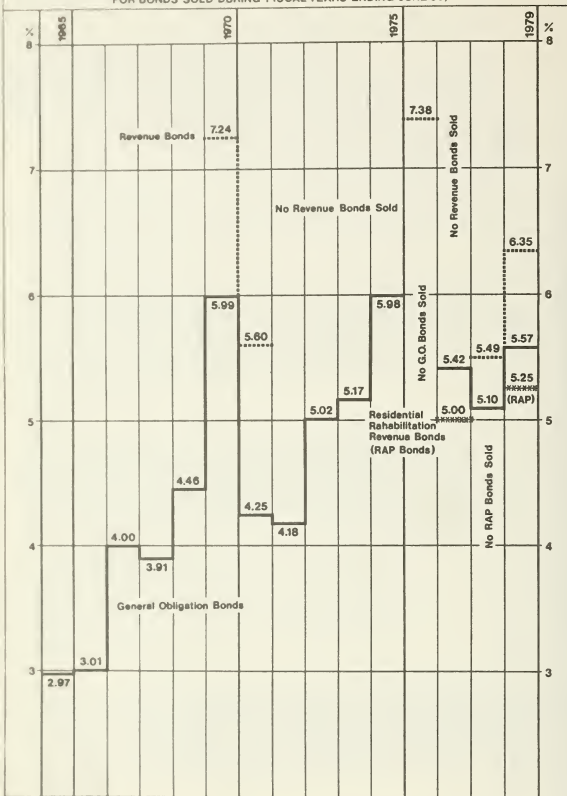
SEWER REVENUE

<u>FISCAL YEAR</u>	<u>TOTAL</u>	<u>BOND REDEMPTION</u>	<u>BOND INTEREST</u>
1979-80	\$ 4,623,118	\$ 1,535,000	\$ 3,088,118
1980-81	4,605,580	1,620,000	2,985,580
1981-82	4,592,192	1,715,000	2,877,192
1982-83	4,577,468	1,815,000	2,762,468
1983-84	4,561,080	1,920,000	2,641,080
1984-85	4,547,542	2,035,000	2,512,542
1985-86	4,531,368	2,155,000	2,376,368
1986-87	4,512,230	2,280,000	2,232,230
1987-88	4,489,805	2,410,000	2,079,805
1988-89	4,477,530	2,550,000	1,927,530
1989-90	4,483,380	2,700,000	1,783,380
1990-91	4,482,787	2,845,000	1,637,787
1991-92	4,487,763	3,005,000	1,482,763
1992-93	4,487,540	3,170,000	1,317,540
1993-94	4,491,500	3,350,000	1,141,500
1994-95	4,498,562	3,545,000	953,562
1995-96	4,502,950	3,750,000	752,950
1996-97	4,505,788	3,965,000	540,788
1997-98	4,521,875	4,195,000	326,875
1998-99	4,551,000	4,440,000	111,000
	<u>\$90,531,058</u>	<u>\$55,000,000</u>	<u>\$35,531,058</u>

Note: Unsold Sewer Revenue bonds at June 30, 1979 in the amount of \$185,000,000 are not included.

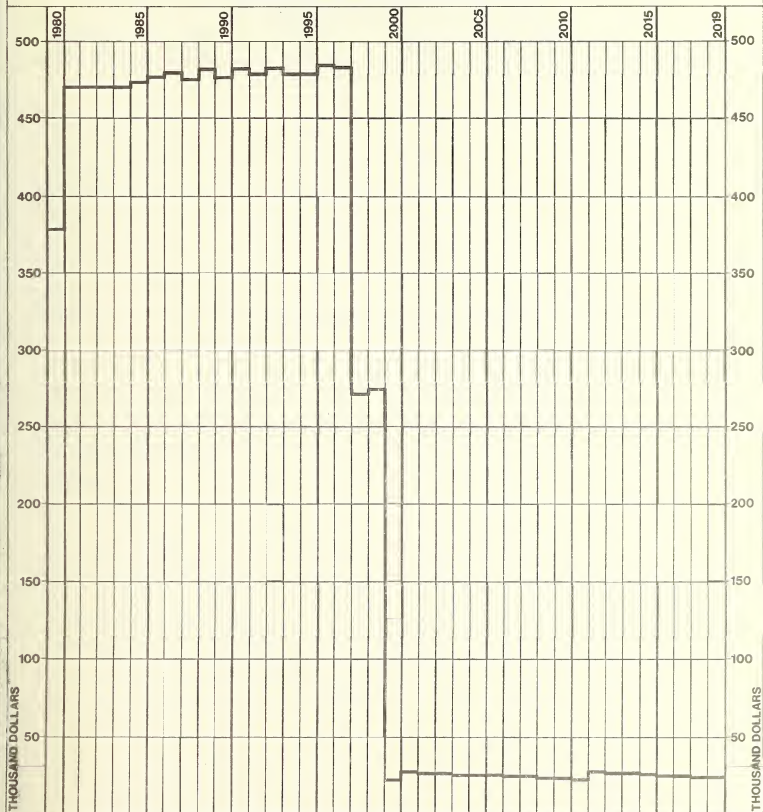
AVERAGE NET INTEREST COST

FOR BONDS SOLD DURING FISCAL YEARS ENDING JUNE 30,



J.C. FARRELL, CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO
ANNUAL REVENUE BOND INTEREST AND REDEMPTION
REQUIREMENTS FOR COMMUNITY COLLEGE STUDENT UNION
AND RESIDENTIAL REHABILITATION
 REQUIREMENTS FOR FISCAL YEARS ENDING JUNE 30



J.C. FARRELL, CONTROLLER

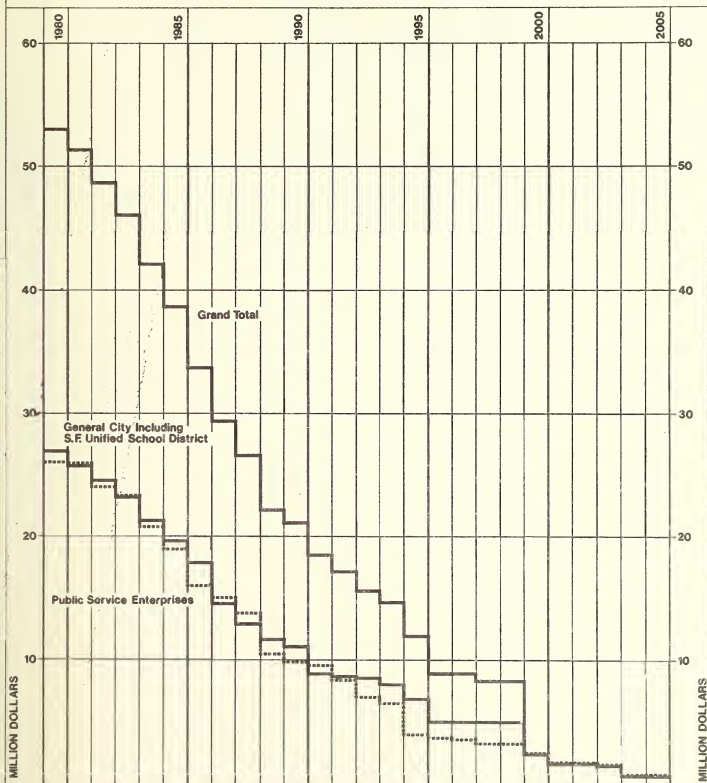
CITY AND COUNTY OF SAN FRANCISCO
ANNUAL REVENUE BOND INTEREST AND REDEMPTION
REQUIREMENTS FOR
SAN FRANCISCO INTERNATIONAL AIRPORT AND PORT COMMISSION
 REQUIREMENTS FOR FISCAL YEARS ENDING JUNE 30



J.C. FARRELL, CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO
ANNUAL BOND INTEREST AND REDEMPTION REQUIREMENTS
(GENERAL OBLIGATION BONDS AND PORT COMMISSION ASSUMED BONDS)

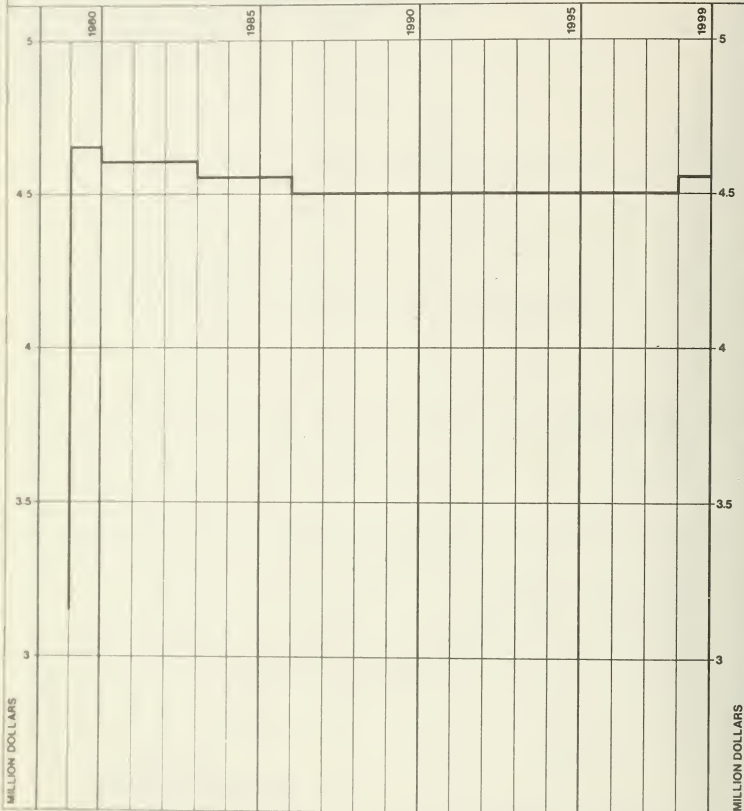
REQUIREMENTS FOR FISCAL YEARS ENDING JUNE 30



J.C. FARRELL, CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO
SEWER REVENUE
ANNUAL BOND INTEREST AND REDEMPTION REQUIREMENTS

FOR FISCAL YEARS ENDING JUNE 30.



J.C. FARRELL, CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

BOND INTEREST AND REDEMPTION

FUNDING STATEMENT

Fiscal Years 1970-1971 to 1979-80

SOURCE OF REVENUES: General City Issues:	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Ad Valorem Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$15,031,953	\$15,125,463
Capital Improvement Fund	17,764,604	17,200,150	\$15,442,221	15,596,503	14,610,840	19,559,537	19,953,810	15,186,428	.....	.....
Sewer Service Fund	.....	4,700,000	6,437,384	5,800,000	5,626,410	5,800,000	5,800,000	10,423,920	.....	.....
Surplus	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
	17,764,604	21,900,150	21,879,605	21,396,503	20,237,250	25,359,537	25,753,810	25,610,348	15,031,953	15,125,463
Public Service Enterprises:										
Ad Valorem Taxes	.....	.....	.....	.....	.....	.....	.....	.....	11,997,003	11,761,403
Utility Earnings:										
Water and Hetch Hetchy Project	12,722,311	12,431,975	11,976,135	13,888,663	13,784,888	14,051,131	13,649,038	13,876,452	.....	.....
Municipal Railway	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Airport	8,232,625	9,041,650	8,475,400	11,371,690	11,326,235	11,405,965	11,176,035	12,441,021	21,732,895	22,453,865
Harbor	3,830,491	4,957,149	5,582,400	6,764,950	7,089,141	7,193,524	7,023,298	6,813,784	7,534,022	7,338,714
Wastewater	.....	.....	.....	.....	.....	.....	.....	.....	14,763,175	18,220,891
Capital Improvement Fund (via Utility)	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Taxes (via Utility)	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
	24,785,427	26,430,774	26,033,935	32,025,303	32,200,264	32,650,620	31,848,371	33,131,257	56,027,095	59,774,873
Total Budgeted Requirements	\$42,550,031	\$48,330,924	\$47,913,540	\$53,421,806	\$52,437,514	\$58,010,157	\$57,602,181	\$58,741,605	\$71,059,048	\$74,900,336

The Sewer Service Fund became the Wastewater Management Fund on July 1, 1978

Water and Hetch Hetchy Project 1979-80 Equity Transfer to General Fund, \$11,761,403.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

REPORT ON EXAMINATION
OF
FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1979

Touche Ross & Co.

December 5, 1980

The Honorable Board of Supervisors
City and County of San Francisco

We have examined the financial statements of the funds and account groups of the City and County of San Francisco, Office of the Controller, for the year ended June 30, 1979 as listed in the table of contents. Except as explained in the third and fourth paragraphs, our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination did not include the financial statements of the City and County of San Francisco pertaining to enterprise activities, schools, community college, and Employees' Retirement System. Such financial statements are reported on separately by other auditors. Thus the financial statements presented are only for the funds and account groups referred to in the table of contents and are not intended to present fairly the financial position of the City and County of San Francisco at June 30, 1979, and the results of operations taken as a whole and the changes in financial position of its proprietary fund types taken as a whole for the year then ended in conformity with generally accepted accounting principles.

Complete historical or other cost records using reliable methods of accounting for additions to and disposals of the assets of the General Fixed Assets are not maintained. Due to the nature of the City's records, we were unable to satisfy ourselves as to fixed assets by means of other auditing procedures.

Since the City's records do not permit the application of adequate alternative procedures to the fixed asset records, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the General Fixed Assets.

Certain accounting and financial reporting methods used are not, in our opinion, in conformity with generally accepted accounting principles.

- (1) Comparisons of budget with actual revenues, expenditures, and transfers for the General and Special Revenue Funds are not presented.

City and County of
San Francisco

-2-

December 5, 1980

- (2) The assets, liabilities, revenues, and expenditures of the hospitals are included in the financial statements of the General Fund. Generally accepted accounting principles require that the financial position, results of operations and changes in financial position of hospitals be reported in an enterprise fund. The effects of this deviation from generally accepted accounting principles are not readily determinable.

As discussed in more detail in Note C to the financial statements, the City has made several changes in accounting principles to conform to the requirements of The National Council on Governmental Accounting's Statements 1 and 2 and to change its method of accounting for estimated appropriation transfers and outstanding warrant liabilities.

In our opinion, except (1) for the omission of budget comparisons, and (2) that enterprise funds are not used to account for the activities of the hospitals as mentioned above, the financial statements listed in the table of contents present fairly the financial position of the funds and account groups of the City and County of San Francisco, Office of the Controller at June 30, 1979, and the results of their operations and the changes in financial position of the Internal Service Funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the changes, with which we concur, in the method of accounting for the matters discussed in the preceding paragraph.

Certified Public Accountants

Touche Ross & Co.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

BALANCE SHEETS

June 30, 1979

ASSETS

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups	
	General	Special Revenue	Capital Projects	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt
Equity (deficit) in Treasurer's cash and governmental securities investments	\$ (145,954,414)	\$175,355,964	\$ 45,604,742	\$ (20,155,676)	\$105,342,715		
Accounts receivable:					464,415		
Property taxes, penalties and interest	14,232,826	36,914					
Federal and state grants and subventions	17,204,417	40,416,540	3,219,312				
Other	64,154,718	10,855,985		3,503	1,056		
	95,591,961	51,309,440	3,219,312	3,503	1,056		
	(835,393)	(35,973)					
Allowance for doubtful accounts	94,756,568	51,273,467	3,219,312	3,503	1,056		
	316,121,080	16,381,725	67,201,338	35,692,011	2,818,986		
Interfund accounts receivable				1,232,149	892,512		
Deferred charges and other assets	927,170			186,845			
Inventories							
Amount available for retirement of long-term debt							
Amount to be provided for long-term debt							
General fixed assets:							
Land						\$ 88,338,615	
Facilities and improvements						491,559,425	
Equipment						70,794,155	
TOTAL ASSETS	\$ 265,850,404	\$243,011,156	\$116,025,392	\$ 16,958,832	\$109,519,684	\$650,692,185	\$215,276,078
						214,238,023	
							\$ 1,538,055

See notes to financial statements.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

BALANCE SHEETS

June 30, 1979

LIABILITIES AND FUND EQUITY

	Governmental Fund Types				Proprietary Fund Type Internal Service	Fiduciary Fund Type Trust and Agency	Account Groups	
	General	Special Revenue	Capital Projects	Debt Service			Fixed Assets	General Long-Term Debt
Liabilities:								
Accounts payable	\$ 10,124,255	\$ 8,098,055	\$ 3,017,005		\$ 3,688,946	\$19,198,102		
Accrued payroll	30,255,416	4,647,331			964,888			
Accrued estimated claims payable	27,800,422				5,904,000			
Accrued workers' compensation				\$ 424,850				
Matured bonds and interest payable								
Property taxes, grants and								
subventions received in advance	2,397,641	20,253,758			3,297,060	6,615,319		
Interfund accounts payable	62,438,554	164,621,170	89,725,821			61,649,994		
Due to other governmental agencies			88,746		1,840,411	19,123,972		
Other liabilities								
Bonds payable								\$ 96,031,000
Capital lease obligations								119,100,000
Long-term loans payable								859,078
TOTAL LIABILITIES	133,016,288	197,620,314	92,831,572	424,850	15,695,305	106,587,387		
Fund equity:								
Investment in general fixed assets								
Retained earnings:								
Unreserved:								
Designated for future budget commitment								
Undesignated								
Fund balances:								
Reserved for encumbrances	7,983,011	7,911,036	16,536,900		855,488			
Reserved for receivables	19,129,645	46,949			408,039			
Reserved for inventory	927,170							
Unreserved:								
Designated for future budget commitment	32,099,880	29,595,243	5,836,869			2,390,788		
Designated for contingencies	4,000,000							
Designated for debt service				1,538,055				
Undesignated - unavailable for appropriation	41,145,921	7,837,614	820,051	297,222				
Undesignated	27,548,489	45,390,842	23,193,820	1,835,277	1,263,527	541,509		
TOTAL FUND EQUITY	132,834,116					2,932,297		
TOTAL LIABILITIES AND FUND EQUITY	\$265,850,404	\$243,011,156	\$116,025,392	\$2,260,127	\$ 16,958,832	\$109,519,684		\$215,776,078

\$650,692,195

\$650,692,195

See notes to financial statements.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER
STATEMENT OF REVENUES AND EXPENDITURES

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

Year ended June 30, 1979

	Governmental Fund Types			Fiduciary Fund Type
	General	Special Revenue	Capital Projects	Expendable Trust
Revenues:				
Property taxes	\$120,792,957	\$ 6,526		\$25,460,201
Other local taxes	118,792,781	23,372,667		
Grants and subventions	110,354,967	272,971,195	\$ 13,614,237	\$ 5,258
Licenses, fines and penalties	3,240,765	14,992,119		373,836
Interest for current services	16,230,104	2,828,735		150,376
Charges for current services	71,348,006	19,514,002	3,000,921	1,059,875
Miscellaneous revenues	705,893	910,016		1,589,345
TOTAL REVENUES	441,465,473	334,595,260	16,615,158	
Expenditures:				
Public protection	194,477,999	15,826,365		6,812
Public works, transportation and commerce	9,508,141	32,043,024		3,680
Human welfare and neighborhood development	117,346,432	56,944,572		4,013
Community health	116,508,845	21,108,663		36,516
Culture and recreation	35,000,175	23,518,429		1,199,025
General administration and finance	41,209,388	15,951,841		6,483
General government	7,811,359		127,213,947	
Capital outlay				
Debt service:				
Principal retirement				18,575,000
Interest and fiscal charges				8,135,974
TOTAL EXPENDITURES	521,862,339	165,392,894	127,213,947	1,256,529
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(80,396,866)	169,202,366	(110,598,789)	332,816
Other financing sources (uses):				
Proceeds of general obligation bonds			6,000,000	
Operating transfers in	155,084,953	1,714,849	62,677,692	(3,197,424)
Operating transfers out	(43,406,711)	(186,535,045)		
TOTAL OTHER FINANCING SOURCES (USES)	111,678,242	(184,820,196)	68,677,692	(3,197,424)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 31,281,376	\$ (15,617,830)	\$ (41,921,097)	\$ (2,864,608)

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

STATEMENT OF REVENUES AND EXPENSES

PROPRIETARY FUND TYPE

Year ended June 30, 1979

	<u>Internal Service</u>
Operating revenues:	
Contribution from general government	\$ 5,013,947
Charges for services	<u>827,086</u>
TOTAL OPERATING REVENUES	5,841,033
Operating expenses:	
Personal services	28,942,855
Overhead	920,201
Professional services	1,091,316
Contractual services	5,529,617
Materials and supplies	2,481,774
Fixed charges	7,204,458
Services of other departments	19,554,099
Other	<u>1,979,524</u>
TOTAL OPERATING EXPENSES	67,703,844
Nonoperating revenue	<u>8,115</u>
INCOME BEFORE INTERDEPARTMENTAL RECOVERY	(61,854,696)
Indepartmental recovery	<u>58,895,500</u>
NET LOSS	<u><u>\$ (2,959,196)</u></u>

See notes to financial statements.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

STATEMENT OF RECEIPTS AND DISBURSEMENTS

FIDUCIARY FUND TYPE

Year ended June 30, 1979

	<u>Agency</u>
Receipts:	
Payroll	\$331,982,943
Taxes, fees and licenses	256,710,376
Transportation	25,880,975
Loans	1,886,107
Deposits	16,543,953
Assistance program	8,237,181
Unapportioned taxes and interest	33,816,252
Other	53,560
TOTAL RECEIPTS	<u>675,111,347</u>
Disbursements:	
Payroll	341,200,433
Taxes, fees and licenses	255,528,355
Transportation	26,442,052
Loans	1,896,657
Deposits	15,468,331
Assistance program	6,986,607
Unapportioned taxes and interest	34,293,084
Other	536,300
TOTAL DISBURSEMENTS	<u>682,351,819</u>
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	<u>\$ (7,240,472)</u>

See notes to financial statements.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

STATEMENT OF CHANGES IN FUND BALANCES/RETAINED EARNINGS

Year ended June 30, 1979

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Internal Service</u>	<u>Expendable Trust</u>
Fund balances/retained earnings as previously reported July 1, 1978	\$ 81,596,981	\$25,275,027	\$41,716,082	\$ 5,461,324	
Restatements:					
Equity transfers to reorganize fund structure	(42,170,427)	3,789,176	(51,494,744)	8,718,805	\$5,078,505
Reclassification of encumbrances to fund balance	36,572,211	19,500,962	74,895,691	662,795	3,323,772
Reclassification of reserves and estimated transfers of appropriations to fund balance	18,929,644	12,756,007	(2,112)	(10,620,201)	(2,605,372)
Fund balances/retained earnings as restated July 1, 1978	94,928,409	61,321,172	65,114,917	4,222,723	5,796,905
Excess of revenue and other sources over (under) expenditures and other uses/net loss	31,281,376	(15,617,830)	(41,921,097)	(2,959,196)	(2,864,608)
Residual equity transfers from (to) other funds	6,624,331	(312,500)			
Fund balances/retained earnings at June 30, 1979	<u>\$132,834,116</u>	<u>\$45,390,842</u>	<u>\$23,193,820</u>	<u>\$ 1,263,527</u>	<u>\$2,932,297</u>

See notes to financial statements.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

STATEMENT OF CHANGES IN FINANCIAL POSITION

PROPRIETARY FUND TYPE

Year ended June 30, 1979

SOURCE OF FUNDS:

Operations - net loss	\$ (2,959,196)
Other:	
Equity transfers from other funds	8,718,805
Decrease in encumbrance liability	<u>662,795</u>
	<u>6,422,404</u>

APPLICATION OF FUNDS:

Decrease in reserves and estimated appropriation transfers	10,620,201
Increase in long-term interfund receivable	5,904,000
Decrease in workers' compensation liability	<u>980,000</u>
	<u>17,504,201</u>

DECREASE IN WORKING CAPITAL \$ (11,081,797)

INCREASE (DECREASE) IN WORKING CAPITAL COMPONENTS:

Cash	\$ (22,997,119)
Accounts receivable	(120,894)
Interfund receivable - current	15,006,343
Deferred charges and other assets	537,330
Inventories	186,845
Warrants and other payables	(4,024,377)
Interfund payable	1,418,666
Other liabilities	(1,840,411)
Encumbrances outstanding	630,107
Reserves	<u>121,713</u>

DECREASE IN WORKING CAPITAL \$ (11,081,797)

See notes to financial statements.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 1979

NOTE A - Summary of Significant Accounting Policies

General Accounting Methods

The modified accrual basis of accounting is followed (with minor exceptions) by all funds except for the Internal Service Funds, which follow the accrual basis. This basis of accounting differs from the accrual basis in the following respects:

1. Revenues are recorded when received except for those revenues which can be accrued and are available for appropriation, and material revenues that are not received at the normal time of receipt.
2. Expenditures are recorded on an accrual basis except that (a) prepaid expenses are not recorded, (b)* interest on long-term debt is recorded as an expenditure when due, and (c) vacation and sick pay are recorded when actually paid.

Cash and Investments

The City follows the practice of pooling cash and governmental securities of all funds with the City Treasurer except for certain immaterial revolving funds. Cash amounts are reported net of warrants outstanding. See Note C for a discussion of the change in accounting.

Governmental securities and other investments are recorded at cost, which at June 30, 1979, approximates market. Interest revenue is reported when received as it is not considered available for appropriation until received.

Certain cash maintained by departments and officials of the City and County is not under the control of the Office of the Controller and is not included in these financial statements. The amount of such cash cannot practicably be determined.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

Reserves

Encumbrances represent the portion of fund balance committed for expenditure upon performance of services by other funds or outside parties.

Reserves are provided for certain departmental accounts receivable (principally hospital receivables) because of the uncertainty of the amounts and timing of collections. The reserves are shown as restricted fund balances. The effect is a recognition of revenue at the time of cash receipt.

Inventories are recorded at average cost and are included in expenditures at the time of purchase. A reserve is shown as restricted fund balance. The effect is a recognition of expenditure on a cash basis.

See Note C for a change in accounting for these reserves.

Federal and State Grants and Subventions

Current expenditures related to federal and state grant programs and subventions are specifically identified and accounted for by appropriation. Revenues generally are recognized in an amount equal to the expenditures which are the prime factor for determining eligibility for reimbursement.

General Fixed Assets

At June 30, 1979, fixed assets represent the accumulated costs of such assets. Retirements have not been removed from the accounts, but proceeds from disposals generally have been deducted. Construction in progress additions are recorded. Certain leased assets are not included in fixed assets. Fixed assets of approximately \$164,000,000 related to the San Francisco Cleanwater (formerly Wastewater) Program have been deducted from General Fixed Assets as part of the establishment of an enterprise fund in connection with the fund structure reorganization described in Note C. The changes to the financial statements, had information relating to retirements and certain leased assets been available, are not determinable. Net additions to General Fixed Assets after the removal of Cleanwater were \$52,000,000.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

Appropriations and Budgets

The City maintains appropriation accounts in accordance with the Charter and Annual Appropriation Ordinances. Comparisons of expenditures to appropriations are made. At the end of the fiscal year, most unencumbered appropriations lapse except for certain continuing appropriations which, after appropriate review and approval, are carried forward. The City is unable to present a comparison of budget to actual revenues and expenditures for the General and Special Revenue Funds.

Vacation and Sick Pay

Vacation pay, which may be accumulated up to six weeks, is charged to expense in the year paid. Unpaid vacation pay earned is estimated to be approximately \$22,000,000 at June 30, 1979. Up to six months' sick leave may be accumulated and is also charged to expense in the year paid. Unpaid sick leave pay earned is estimated to be approximately \$48,000,000 at June 30, 1979. Under certain conditions, primarily retirement, a portion of an employee's accumulated sick leave is payable upon termination of employment.

Interfund Transfers

Interfund transfers are generally recorded as operating transfers in (out) except for the following types of transactions:

1. Charges for services, which are recorded as revenues of the performing fund and expenditures of the requesting fund.
2. Reimbursements for services performed, which are recorded as a reduction of expenditure in the performing fund and an expenditure of the requesting fund.
3. Residual equity transfers.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

NOTE B - Description of Fund Types

Governmental Fund Types

These funds are accounted for on a "spending" or "financial flow" measurement focus. The reported fund balances provide an indication of available spendable or appropriable resources. Operating statements for governmental fund types report increases (revenues) and decreases (expenditures) in available spendable resources.

General Fund - accounts for all revenues and expenditures of the City except for those required to be accounted for in another fund. The General Fund normally receives a greater variety and number of taxes and other general revenues than any other fund. Financial transactions of most departments are included.

Special Revenue Funds - used to account for revenues derived from specific revenue sources that are restricted legally to expenditure for specific purposes by statute, charter provision or ordinance.

Capital Project Funds - used to account for resources used for the acquisition or construction of major capital facilities except those facilities financed by proprietary or trust funds. Because of the long-term nature of capital projects financed from bond proceeds, an excess of revenues over expenditures usually exists in the year the bonds are issued and an excess of expenditures over revenues in ensuing years as the proceeds are expended.

Debt Service Fund - accounts for the payment of interest and principal on long-term obligation debt other than debt issued for, and payable primarily by, a proprietary fund.

Proprietary Funds - the Internal Service Funds account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

Fiduciary Funds - Trust (expendable) and Agency Funds account for transactions related to assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These funds account for the receipt and distribution of various payroll taxes, property taxes, subventions and other funds to other City operations, governments and other entities. These funds do not have "operations" but receipts and disbursements are recorded.

Account Groups

General Fixed Asset Account Group - fixed assets which are not used in proprietary fund operations or schools are accounted for in this self-balancing account group. Infrastructure assets, consisting of roads, bridges, streets, and sidewalks, are not recorded.

General Long-Term Debt Account Group - all unmatured general obligation long-term indebtedness of the City except that recorded in proprietary funds is accounted for in this self-balancing account group.

NOTE C - Changes in Accounting Methods

In 1979, the National Council on Governmental Accounting (NCGA) issued Statement 1, revising and codifying generally accepted accounting principles and reporting practices for state and local governments and Statement 2, enumerating the applicable generally accepted accounting principles for grants, entitlements, and shared revenues received by governmental entities. The City has adopted these statements for the year ended June 30, 1979.

The City has made certain changes in accounting principles and reporting practices to conform to the NCGA statements and has also made changes in the method of accounting for estimated appropriation transfers and outstanding warrant liabilities. The July 1, 1978 fund balances of all fund types have been adjusted for the effects of these changes.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

The changes are:

1. Fund Structure Reorganization

Certain funds have been reclassified among the governmental, proprietary, and fiduciary fund types to properly classify individual funds based upon their underlying measurement focus as described in NCGA Statement 1. The assets, liabilities, revenues and expenditures of the San Francisco Cleanwater Program (formerly Wastewater in the General Fund) are now reported as an enterprise fund.

2. Reserves and Estimated Appropriation Transfers

Reserves for encumbrances, other reserves and estimated appropriation transfers were segregated from fund balance prior to July 1, 1978. They are now reported as a component of fund balance.

3. Grants Receivable

Grants receivable were previously reported as gross awards less receipts and offset by an unencumbered grant award account. Grants receivable are now reported as unreimbursed expenditures to conform to the revenue recognition criteria under NCGA Statement 2.

4. Cash and Investments

The Office of the Controller changed its method of accounting for outstanding warrants by recording the liability for such warrants in the accounts of the City Treasurer. The fund types now show cash and governmental securities net of warrants outstanding. The aggregate amount of warrants outstanding at June 30, 1979 (including the liability for those funds not reported on in these statements) is \$32,000,000.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

5. Unsecured Property Taxes Receivable

Unsecured property taxes receivable were previously fully reserved. They are now recognized on the accrual basis to conform to NCGA Statement 1. The effect of this change is to increase undesignated fund balance by \$8,300,000 in the General Fund and fund balance - designated for debt service in the Debt Service Fund by \$200,000.

6. Encumbrances

Prior to July 1, 1978, the City recognized all outstanding encumbrances at year end as expenditures during the year budgeted. Pursuant to changes in reporting requirements as outlined by NCGA Statement 1, outstanding encumbrances at year end are now reported as a reservation of fund balance. The effect of this change is to recognize at June 30, 1979 expenditures previously recognized in the June 30, 1978 statements as follows:

General Funds	\$27,000,000
Special Reserve Funds	17,400,000
Capital Projects Funds	38,300,000
Internal Service Funds	<u>700,000</u>
Total (memorandum only)	<u>\$83,400,000</u>

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLERNOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

NOTE D - Capital Leases

San Francisco Stadium, Inc. has issued lease revenue bonds payable from rentals to be received from the City and County under a lease expiring March 1, 2000 for Candlestick Park. The City and County receives all income and revenue related to operation of the Park. The City and County also maintains and provides insurance coverage for the Park. This lease is considered to be a capital lease and is included in General Long-Term Debt with the related asset included in General Fixed Assets.

There are two tenants who pay rent for use of the Park to the City and County. The two tenants pay a minimum rent or a percentage of their gross revenues, whichever is greater. Minimum annual rent to be paid by these tenants is \$225,000 through 1980, \$240,000 through 1990, \$250,000 through 1995, and \$125,000 through 2000. Actual rent paid by these tenants for the year ended June 30, 1979 was approximately \$730,000. The remaining revenues are provided principally by other rentals and various taxes.

The Redevelopment Agency has issued lease revenue bonds payable from rentals to be received from the City and County under a lease expiring August 15, 2008 for construction and operation of the Moscone Convention Center. The City and County will receive all revenue related to operation of the Center when completed. The City and County will provide insurance coverage and pay other costs incidental to the operation of the Center. Title to the Center reverts to the City upon expiration of the lease. This lease is considered to be a capital lease and is included in General Long-Term Debt. The related asset will be included in General Fixed Assets upon completion of construction of the project.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLERNOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

The following is a schedule of future minimum lease payments to be made to San Francisco Stadium, Inc. and the Redevelopment Agency for bond principal and interest payments:

Year Ending June 30

1980	\$ 8,596,000
1981	8,577,000
1982	8,568,000
1983	9,663,000
1984	9,682,000
1985 - 1989	48,668,000
1990 - 1994	49,088,000
1995 - 1999	49,107,000
2000 - 2004	22,507,000
2005 - 2009	<u>74,052,000</u>
	288,508,000
Less amount representing interest	<u>169,408,000</u>
Present value of minimum lease payments	<u><u>\$119,100,000</u></u>

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

NOTE E - Operating Leases

The City and County provides for the debt service of bonds aggregating approximately \$2,912,000 at June 30, 1979 through the payment of rent on long-term noncancellable leases. The lease payments are established at levels intended to cover bond interest and principal redemption and certain operating costs. Minimum annual rentals under these lease agreements aggregated \$3,928,000 and are payable as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
1980	\$ 545,000
1981	260,000
1982	260,000
1983	260,000
1984	260,000
1985 - 1989	1,302,000
1990 - 1993	<u>1,041,000</u>
	<u>\$3,928,000</u>

Rental expense for the year ended June 30, 1979 was approximately \$545,000.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

NOTE F - General Obligation Serial Bonds

General obligation bonded indebtedness recorded in the general long-term debt group of accounts as of June 30, 1979 is as follows:

<u>Series and Year of Issue</u>	<u>Due Serially to</u>	<u>Remaining Interest Rates</u>	<u>Amount</u>
Schools:			
1956 Schools:			
Series H, 1964	9/1/79	3	\$ 135,000
1964 Schools:			
Series A, 1965	9/1/80	3	270,000
Series B, 1966	11/1/81	4	795,000
Series C, 1968	3/1/83	3.9 to 4.1	2,245,000
Series D, 1969	2/1/84	4.3 to 4.5	1,500,000
Series E, 1970	2/1/85	5.8 to 6	2,040,000
Series F, 1971	1/1/86	3.9 to 4.6	3,465,000
1973 Public School Building Improvements:			
Series A, 1974	5/1/94	5 to 5.4	12,750,000
Series B, 1975	6/1/95	5 to 6.5	<u>16,665,000</u>
			39,865,000
Hospitals:			
1965 Medical Center:			
Series A, 1966	11/1/81	4	345,000
Series B, 1969	2/1/84	4.3 to 4.5	1,150,000
Series C, 1970	2/1/85	6	690,000
Series D, 1971	1/1/86	3.9 to 4.6	<u>12,495,000</u>
			14,680,000
Fire Protection:			
1964 Fire Department:			
Series A, 1965	9/1/80	3	150,000
Series B, 1968	3/1/83	4 to 4.1	1,020,000
1971 Fire Protection:			
Series A, 1973	5/1/88	4.5 to 4.9	3,690,000
Series B, 1975	6/1/90	5.1 to 6.2	1,160,000
Series C, 1978	10/1/93	5 to 6	741,000

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

<u>Series and Year of Issue</u>	<u>Due Serially to</u>	<u>Remaining Interest Rates</u>	<u>Amount</u>
1974 Fire Protection:			
Series A, 1975	6/1/90	5.5 to 6	\$ 1,350,000
Series B, 1978	10/1/93	5 to 6	1,110,000
1977 Fire Protection Systems Improvement:			
Series A, 1978	10/1/93	5 to 6	1,730,000
Series B, 1979	10/1/95	5.5 to 6.5	<u>2,000,000</u>
			12,951,000
Civic Center Auditorium:			
1959 Civic Center Auditorium Improvements:			
Series C, 1965	9/1/80	3	<u>30,000</u>
			30,000
Parks and Playgrounds:			
1955 Playgrounds and Recreation Centers:			
Series G, 1964	9/1/79	3	45,000
Series H, 1972	2/1/87	3.6 to 4.3	<u>200,000</u>
			245,000
1977 Irrigation System of the Recreation and Park Department Improvement:			
Series A, 1978	10/1/93	5 to 6	1,560,000
Series B, 1979	10/1/95	5.5 to 6.5	<u>4,000,000</u>
			5,560,000

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

<u>Series and Year of Issue</u>	<u>Due Serially to</u>	<u>Remaining Interest Rates</u>	<u>Amount</u>
Boulevards and Roads:			
1964 Street Lighting:			
Series A, 1965	9/1/80	3	\$ 60,000
Series B, 1966	11/1/81	4	285,000
Series C, 1968	3/1/83	4 to 4.1	160,000
Series D, 1969	2/1/84	4.3 to 4.5	540,000
Series E, 1971	1/1/86	3.9 to 4.6	635,000
Series F, 1974	5/1/89	5 to 5.1	675,000
Series G, 1978	10/1/88	5 to 6	645,000
1968 Market Street Reconstruction and Improvement:			
Series A, 1970	2/1/85	6	4,050,000
Series B, 1972	2/1/87	3.6 to 4.3	575,000
Series C, 1973	5/1/88	4.5 to 4.9	3,150,000
Series D, 1975	6/1/90	5.3 to 6	5,885,000
1972 Street and Parkway Lighting:			
Series A, 1973	5/1/88	4.5 to 4.9	900,000
Series B, 1976	7/1/98	4 to 6	2,240,000
Series C, 1978	10/1/93	5 to 6	2,250,000
			<u>22,050,000</u>
Juvenile Court:			
1964 Log Cabin Ranch:			
Series A, 1966	11/1/81	4	210,000
Series B, 1968	3/1/83	4 to 4.1	<u>80,000</u>
			290,000
Palace of Fine Arts:			
1959 Palace of Fine Arts:			
Series A, 1964	9/1/79	3	<u>120,000</u>
			120,000

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLERNOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

<u>Series and Year of Issue</u>	<u>Due Serially to</u>	<u>Remaining Interest Rates</u>	<u>Amount</u>
Hall of Justice:			
1956 Hall of Justice:			
Series D, 1965	9/1/80	3	\$ 40,000
Series E, 1968	3/1/83	4 to 4.1	200,000
			<u>240,000</u>
			<u>\$96,031,000</u>

The primary collateral for the general obligation bonds is the ad valorem tax on property within the City and County. Not included above are general obligation bonds aggregating \$285,207,000 as of June 30, 1979, recorded in the enterprise funds as it is the intention to retire principal and pay interest from the resources of the respective enterprise funds, as indicated by the bond ordinances. At June 30, 1979, the City and County had authorized but unissued general obligation bonds aggregating \$7,020,000.

NOTE G - Employees' Retirement System

The City and County retirement system has plans covering substantially all of its active employees. The plans provide a basic pension benefit at retirement based on average final compensation, plus limited cost-of-living increases. Most teachers and a small number of other employees are covered by other plans.

Pension expense recognized by the City and County is based on rates set by the Retirement Board. For the year ended June 30, 1979, pension expense was approximately \$79,700,000 (excluding enterprise, school district, and community college fund contributions of approximately \$25,000,000). This amount includes prior service costs which are amortized over the future working lifetime of the active members. The policy is to fund pension costs accrued.

The latest actuarial valuation of the Employees' Retirement System was made as of June 30, 1978. No changes were made in the plan provisions.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

The contribution rates expressed as a percent of covered payroll are:

	Year Ending June 30				
	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Hired before November 2, 1976:					
Police department	86.65%	102.05%	88.36	88.36	88.36
Fire department	89.75	105.56	90.48	90.48	90.48
Other employees	20.05	23.10	16.99	16.99	16.99
Hired after November 1, 1976:					
Police department	54.64	55.16	88.36	88.36	88.36
Fire department	49.19	49.99	90.48	90.48	90.48
Other employees	14.70	15.69	16.99	16.99	16.99

The actuarially computed present value of accumulated benefits as of June 30, 1978 (the date of the latest actuarial valuation) assuming immediate 100% vesting is \$1,382,463,000. Net assets available for plan benefits at June 30, 1978 were \$876,740,324. This amount was approximately \$127,000,000 above market and current fair values of the investments at June 30, 1978.

The method used in calculating accrued benefits assumes immediate termination of the plan and, therefore, immediate 100% vesting. Calculations assuming plan continuation could result in a greater or lesser amount of accrued benefits at June 30, 1978, but in the opinion of the consulting actuary, involves significant risk factors relating to assumptions on future occurrences.

For the year ended June 30, 1979, the independent accountants' report on examination was qualified with respect to the ultimate realization of the carrying value of bond investments.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

NOTE H - Contingencies

Claims and Litigation

The amount of lawsuits pending against the City and County and the liability estimated by the City Attorney were approximately as follows:

Amount sought	\$445,000,000
Estimated liability, excluding approximate amounts relating to enterprise activities	28,000,000

Since none of this estimated liability can be recovered under insurance now carried by the City and County, the estimated liability has been included in the liabilities and expenses of the general fund.

BART District

The City and County is contingently liable for its pro rata share of the bond interest and redemption requirements of the San Francisco Bay Area Rapid Transit District based on the assessed valuation of the taxable property of the City and County lying within the District.

Grants, Subventions, Medi-Cal and Medicare

Receipts from revenue sharing and other programs are subject to audit by representatives of the federal and state governments to determine if the monies were expended in accordance with appropriate statutes, grants, terms, and regulations. Medi-Cal and Medicare settlements arising from annual cost reports are reported as revenue when final audits by program representatives are completed.

Claims submitted by the Social Services Department for reimbursement of state and federal shares of costs are subject to audit by those agencies. As of June 30, 1979, questioned costs arising from such audits amounted to approximately \$363,000.

Rouche Ross & Co

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended June 30, 1979

General Obligation Bonds

The City and County is contingently liable for debt service on the general obligation bonds of the public service enterprises if revenues of the latter are not sufficient to meet principal and interest payments on such bonds.

Insurance

The City and County of San Francisco self-insures substantially all of its property and general liability risks.

AIRPORTS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

SAN FRANCISCO INTERNATIONAL AIRPORT

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 1979 AND 1978

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



Main Hurdman & Cranstoun

certified public accountants



Suite 2500
Two Embarcadero Center
San Francisco, CA 94111
(415) 981-7720

The Honorable John C. Farrell,
Controller
City and County of San Francisco

We have examined the balance sheet of the Airports Commission, City and County of San Francisco, San Francisco International Airport as of June 30, 1979 and 1978, and the related statements of income, surplus and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as described in the following paragraph.

Airport personnel have not completed the reconciliation of cash balances as of June 30, 1979 to reports received from the City and County of San Francisco (the "City"), the custodian of most Airport funds. Further, we have not received confirmation of certain information as of June 30, 1979 from City officials. We have been informed that the delays are caused primarily by problems arising out of conversion by the City to a new system of accounting procedures and reporting.

In our opinion, except for the effect of such adjustments, if any, that might be required as of June 30, 1979 as a result of completion of the cash reconciliations and receipt of other information from City officials, the financial statements referred to above present fairly the financial position of the Airports Commission, City and County of San Francisco, San Francisco International Airport, at June 30, 1979 and 1978, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Main Hurdman & Cranstoun

September 24, 1979

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT
BALANCE SHEET

JUNE 30, 1979 AND 1978

ASSETS

	1979	1978		1979	1978
Current assets			Current liabilities		
Cash - Airport Operating Fund	\$ 13,655,027	\$ 5,808,244	Bonded debt maturing within one year (Note 7)	\$ 7,265,000	\$ 7,160,000
Accounts receivable (less allowance for doubtful accounts of \$96,710 and \$83,534)	5,637,339	3,633,674	Accounts payable	1,252,251	302,461
Receivable from City and County of San Francisco	3,359,117	1,265,711	Payable to City and County of San Francisco departments and funds	863,605	68,785
Material supplies inventory	66,944	67,346	Due to the General Fund of the City and County of San Francisco (Note 6)	233,813	760,823
Prepaid expenses	91,723	54,316	Accrued bond interest payable	2,000,000	2,000,000
			Rent collected in advance and other	3,556,469	2,730,403
Total current assets	22,810,220	10,829,291		489,131	143,219
Restricted assets (Notes 2, 3 and 4)			Total current liabilities	15,660,269	13,165,691
Bond Interest Fund	28,805	21,165	Liabilities payable from restricted assets		
San Francisco Airport Fund	(2,015)	2,985	Contractor retentions payable	6,579,853	8,759,097
1956 Airport Bond Fund	60,733	60,733	Other	3,858,365	3,490,449
1962 Airport Bond Fund	88,030	90,432			
1967 Airport Bond Fund	7,440,471	15,483,119	Bonded debt, less current maturities (Note 7)	10,438,218	12,249,546
1975 Airport Revenue Bond Fund	32,056,556	57,106,497		279,875,000	197,140,000
1977 Airport Revenue Bond Fund	85,496,145	7,870,132	Due to the General Fund of the City and County of San Francisco, less current maturity (Note 6)	4,388,104	6,388,104
Federal Aviation Administration Project	3,243,952	12,541,460			
Airport Revenue Bond Contingencies	16,430,924	980,836	Rent collected in advance, less current maturity	-	81,250
Accrued interest - Revenue Bond Fund investments	3,268,679		Commitments and contingent liabilities (Notes 8, 9 and 10)	-	-
Airport Revenue Bond Contingencies	5,000,000	5,000,000			
Reserve Fund	2,704,473	1,735,625	Surplus (Note 5)	178,722,328	149,185,399
General Obligation Bond Trust Fund	155,807,776	100,902,981			
				\$489,083,919	\$378,211,990
Property, plant and equipment, net (Notes 1 and 5)	308,129,773	266,479,718			
Other assets					
Federal grants receivable - subject to approval by various agencies	9,486,223	10,961,139			
Less reserve for grants receivable	7,150,073	10,961,139			
	2,336,150	-			
	\$489,083,919	\$378,211,990			

The accompanying notes are an integral part of these financial statements.

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT
STATEMENT OF INCOME
YEARS ENDED JUNE 30, 1979 AND 1978

	<u>1979</u>	<u>1978</u>
Operating revenue		
Aviation revenue	\$30,261,550	\$17,317,702
Concession revenue	20,595,525	17,371,281
Sales and services - net	<u>1,642,059</u>	<u>1,585,151</u>
Total operating revenues	<u>52,499,134</u>	<u>36,274,134</u>
Operating expenses		
Administrative	3,971,319	3,027,583
Maintenance	6,686,991	5,730,929
Operating	13,418,403	10,512,933
Depreciation and amortization	<u>4,973,608</u>	<u>5,307,726</u>
Total operating expenses	<u>29,050,321</u>	<u>24,579,171</u>
Operating income	23,448,813	11,694,963
Other income		
Interest income (Note 2)	2,808,406	1,265,711
Other	-	33,896
Other expense - interest (Note 1)	<u>(1,558,935)</u>	<u>(2,772,772)</u>
Net income	<u>\$24,698,284</u>	<u>\$10,221,798</u>

Note: The retirement of debt relies upon the generation of net income. The distribution of funds derived from operations for the retirement of debt is summarized as follows:

Payment of bonded debt	\$ 7,160,000	\$ 6,440,000
Repayment to the General Fund of the City and County of San Francisco	<u>2,000,000</u>	<u>2,000,000</u>
	9,160,000	8,440,000
Net income	<u>24,698,284</u>	<u>10,221,798</u>
Excess of net income over debt retirement	<u>\$15,538,284</u>	<u>\$ 1,781,798</u>

The accompanying notes are an integral
part of these financial statements.

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT
STATEMENT OF SURPLUS
YEARS ENDED JUNE 30, 1979 AND 1978

	<u>Contributions</u>	<u>Surplus from Airport Operations</u>	<u>Total</u>
Balance, June 30, 1977			
as previously reported	\$60,371,423	\$ 72,585,623	\$132,957,046
Adjustment for correction of depreciation (Note 5)	<u>-</u>	<u>900,003</u>	<u>900,003</u>
Balance, June 30, 1977 as restated	60,371,423	73,485,626	133,857,049
Net income		10,221,798	10,221,798
Contributions received			
Federal government grants	4,652,897		4,652,897
State of California - Special Aviation Fund	5,000		5,000
Airlines	468,890		468,890
Abandonments	<u>(20,235)</u>		<u>(20,235)</u>
Balance, June 30, 1978	65,477,975	83,707,424	149,185,399
Net income		24,698,284	24,698,284
Contributions received			
Federal government grants	6,106,686		6,106,686
Abandonments	<u>(1,268,041)</u>		<u>(1,268,041)</u>
Balance, June 30, 1979	<u>\$70,316,620</u>	<u>\$108,405,708</u>	<u>\$178,722,328</u>

The accompanying notes are an integral
part of these financial statements.

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT
STATEMENT OF CHANGES IN FINANCIAL POSITION
YEARS ENDED JUNE 30, 1979 AND 1978

	<u>1979</u>	<u>1978</u>
Working capital provided from		
Net income	\$ 24,698,284	\$10,221,798
Add charges (deduct credits) against earnings not affecting working capital		
Depreciation and amortization	4,973,608	5,307,726
Amortization of rent collected in advance	(83,250)	(102,610)
Loss on disposal of property, plant and equipment	<u>138,371</u>	<u>-</u>
Working capital provided from operations	29,727,013	15,426,914
Increase in liabilities payable from restricted asset	-	6,084,813
Contributions received	6,106,686	5,126,787
Decrease in restricted assets	-	45,737,011
Issuance of bonded debt	<u>90,000,000</u>	<u>-</u>
Total working capital provided	<u>125,833,699</u>	<u>72,375,525</u>
Working capital used for		
Acquisition of property, plant and equipment	48,030,075	59,307,926
Reduction of bonded debt	7,265,000	7,160,000
Reduction of amount due to the General Fund of the City and County of San Francisco	2,000,000	2,000,000
Decrease in liabilities payable from restricted assets	1,811,328	-
Increase in restricted assets	54,904,795	-
Increase in federal contributions receivable	<u>2,336,150</u>	<u>-</u>
Total working capital used	<u>116,347,348</u>	<u>68,467,926</u>
Increase in working capital	<u>\$ 9,486,351</u>	<u>\$ 3,907,599</u>

(Continued)

AIRPORTS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

SAN FRANCISCO INTERNATIONAL AIRPORT

STATEMENT OF CHANGES IN FINANCIAL POSITION
(Continued)

YEARS ENDED JUNE 30, 1979 AND 1978

	<u>1979</u>	<u>1978</u>
Increase (decrease) in working capital consisted of:		
Cash	\$7,846,783	\$2,867,249
Accounts receivable	2,003,665	(50,908)
Receivable from City and County of San Francisco departments and funds	2,093,406	1,196,111
Material supplies inventory	(402)	(10,163)
Prepaid expenses	37,477	(27,321)
Bonded debt maturing within one year	(105,000)	(720,000)
Accounts payable	(949,790)	(25,800)
Accrued payroll and payroll deductions	(794,820)	392,662
Payable to City and County of San Francisco departments and funds	527,010	(70,811)
Accrued bond interest payable	(826,066)	114,021
Rent collected in advance and other	<u>(345,912)</u>	<u>242,559</u>
Increase in working capital	<u>\$9,486,351</u>	<u>\$3,907,599</u>

The accompanying notes are an integral part of these financial statements.

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1979 AND 1978

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and method of accounting - The San Francisco International Airport ("Airport") is a public service enterprise of the City and County of San Francisco ("City"). Responsibility for maintenance, operation and development of the Airport has been vested in a five member Commission. Commission members are appointed by the Mayor for four-year terms.

The accounting records are maintained on the accrual basis.

Revenue recognition - Lease revenue from the rental of building spaces, ground areas and facilities is accounted for under the "operating method". Under this method, lease revenue is earned as it becomes due over the term of the lease, and the related expenses are included in operating expense as incurred.

Depreciation - Depreciation of plant and equipment is computed using the straight-line method over the estimated useful lives of the assets. Depreciation charges begin in the year following acquisition or the completion of construction, at which time a full year's depreciation is taken.

The charter of the City provides that an appraisal of property, plant and equipment, which includes an inspection of the properties and a review of estimated remaining life and depreciation value, is to be made at five year intervals to determine reasonable annual depreciation. Such an appraisal and inspection was made during the 1979 fiscal year.

Capitalization of interest - Interest on bond funds used for construction is capitalized during the construction period. Earnings on the funds are applied to reduce interest capitalized. Interest capitalized in 1979 was approximately \$6,868,000, net of interest earnings of approximately \$5,195,000. Interest capitalized in 1978 was approximately \$4,946,000, net of interest earnings of approximately \$6,219,000.

Pension plan - The Airport participates in the City's compulsory contributory retirement plan for all permanent employees.

Financial statements for 1978 - The financial statements for 1978 have been restated to correct errors in depreciation calculations of prior years discovered during the appraisal and inspection of assets mentioned above (see Note 5). Certain items in the prior year's financial statements have been reclassified to conform to the current year's presentation.

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1979 AND 1978

2. INTEREST EARNED ON CASH ON DEPOSIT WITH THE CITY TREASURER

As of June 30, 1978, the City transferred \$1,265,711 to the Airport representing interest earned on the investing of certain of the Airports' funds held by the City for the years ending June 30, 1976, 1977 and 1978, under an interpretation of the provisions of Master Bond Resolution No. 73-0065.

In years prior to 1977, the practice of the City was not to accrue to the Airport the interest earned on Airport deposits, except for interest earned on the special funds established in connection with the Revenue Bonds.

During fiscal 1979, the City extended its policy to include in the interest calculation all Airport funds deposited with the City Treasurer. This resulted in the Airport receiving additional interest of approximately \$2,000,000, of which approximately \$1,176,000 has been applied against bond interest expense to which it relates.

3. AIRPORT REVENUE BOND RESERVE FUND

Under the terms of the Master Resolution providing for the issuance of Airport Revenue Bonds, the Airport is required to deposit with a trustee an amount equal to the maximum debt service accruing in any one year during the life of the bonds. With respect to the required deposit for the Series B bonds, one half of the required deposit of \$7,022,500 was made October 1978, and the remainder is being deposited ratably over a five year period. Requirements and deposits at June 30, 1979 are as follows:

	Airport Revenue Bonds		
	Series A	Series B	Total
Required deposit	<u>\$12,210,905</u>	<u>\$7,022,500</u>	<u>\$19,233,405</u>
Cash on deposit with trustee			
Debt service	<u>12,210,905</u>	<u>3,920,897</u>	16,131,802
Matured interest coupons not redeemed			<u>299,122</u>
			<u>\$16,430,924</u>

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1979 AND 1978

4. AIRPORT REVENUE BOND CONTINGENCIES RESERVE FUND

During 1977, the Airport was required to establish a "Contingencies Reserve Fund" of \$5,000,000 in order to comply with the terms of the Master Bond Resolution relative to the 1975 Revenue Bonds. The fund is held by the Treasurer of the City and is to be used "... (1) to pay any costs of required extensions, additions, improvements, renewals, and replacements necessary to the proper operation of the Airport, arising as a result of unforeseen circumstances or event; (2) to pay the costs of extraordinary or emergency operations and maintenance expenses and repairs; (3) to pay principal and interest on the Bonds when and if monies in the Interest Fund and the Redemption fund shall not be sufficient for such payments; (4) to pay any Bonds or other obligations payable from Net Revenues, if such payment is necessary to prevent any default in the payment of such obligations; and (5) as a source of funds if at any time Revenues are inadequate to meet the foregoing priorities or until such time as airline rates and charges are adjusted to produce adequate Revenues for the above purposes."

5. PROPERTY, PLANT AND EQUIPMENT

At June 30, 1979 and 1978, property, plant and equipment, stated at cost less accumulated depreciation and amortization, consisted of the following:

	1979	1978	Estimated useful life (years)
Land and easements	\$ 2,315,910	\$ 2,315,910	
Landplane port	260,469,880	175,147,706	2-50
Seaplane port	1,847,257	1,847,257	5-30
Equipment	<u>3,720,701</u>	<u>3,134,248</u>	5-20
	268,353,748	182,445,121	
Less depreciation and amortization	<u>68,052,959</u>	<u>64,029,814</u>	
	200,300,789	118,415,307	
Construction work in progress	<u>107,828,984</u>	<u>148,064,411</u>	
	<u>\$308,129,773</u>	<u>\$266,479,718</u>	

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1979 AND 1978

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

The balance of surplus at June 30, 1977, and net income for the fiscal year 1978 have been increased by \$900,003 and \$200,000, respectively, to correct errors in calculation of depreciation. The appraisal and inspection of assets (see Note 1) also resulted in the write-off of approximately \$138,000.

6. DUE TO THE GENERAL FUND OF THE CITY AND COUNTY OF SAN FRANCISCO

As of July 1, 1973, the Airport recorded as a liability its obligation to repay the sum of \$24,388,104 into the General Fund of the City. This amount represents contributions previously received from the General Fund and used by the Airport for the payment of interest and principal of general obligation bonds issued by the City for the acquisition, construction and improvements of the Airport. The adjustment for this liability was made by a charge of \$24,388,104 to Surplus from Airport Operations. The repayment plan calls for annual payments of \$2,000,000 until the full amount has been repaid. The outstanding balance was \$6,388,104 and \$8,388,104 at June 30, 1979 and 1978, respectively, including the amount shown as a current liability.

7. BONDED DEBT

At June 30, 1979 and 1978, bonded debt consisted of:

<u>Description</u>	<u>Date of issue</u>	<u>Interest rate (%)</u>	<u>1979</u>	<u>1978</u>
—In Thousands—				
GENERAL OBLIGATION BONDS				
1967 Airport Bonds				
Series B	2/1/69	4.25 - 4.5	\$ 4,000	\$ 4,800
Series C	2/1/70	6.0	12,400	14,500
Series D	2/1/72	3.7 - 5.2	14,860	16,005
Series E	5/1/74	5.3 - 6.0	<u>23,925</u>	<u>25,520</u>
			<u>55,185</u>	<u>60,825</u>

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1979 AND 1978

7. BONDED DEBT (Continued)

Description	Date of issue	Interest rate (%)	1979	1978
			<u>In Thousands</u>	<u>In Thousands</u>
REVENUE BONDS				
1975 Airport Bonds Series A	3/1/76	6.8 - 8.25	141,955	143,475
1977 Airport Bonds Series B	10/1/78	5.5 - 7.5	90,000	-
			287,140	204,300
LESS CURRENT MATURITIES			7,265	7,160
			<u>\$279,875</u>	<u>\$197,140</u>

The bonds are term and serial in nature and mature as follows:

	General Obligation Bonds	Revenue Bonds		Total
		1975	1977	
		Series A	Series B	
		<u>In Thousands</u>		
Serial				
1980	\$ 5,640	\$ 1,625	\$ -	\$ 7,265
1981	5,640	1,740	-	7,380
1982	5,640	1,860	-	7,500
1983-1987	21,400	11,450	5,485	38,335
1988-1992	13,675	16,055	7,680	37,410
1993-1997	3,190	22,520	10,775	36,485
1998-2000	-	5,495	8,455	13,950
Term				
2008	-	81,210	-	81,210
2012	-	-	57,605	57,605
	<u>\$55,185</u>	<u>\$141,955</u>	<u>\$90,000</u>	<u>\$287,140</u>

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1979 AND 1978

7. BONDED DEBT (Continued)

The Revenue Bonds were issued in connection with the long-range expansion program. Total costs of this expansion program will be financed by funds to be provided from Airport revenues, residual proceeds of general obligation bonds of the City previously issued, proceeds of additional Airport Revenue Bond issues and other means of alternative financing including Federal assistance grants.

The terms covering the Revenue Bonds provide that the Airports Commission will maintain rates and fees at an adequate annual level to allow proper debt servicing on all bonds outstanding plus repaying amounts due the General Fund of the City. In addition, the use of revenues is limited to the priorities set forth in the Master Resolution, dated March 20, 1973, providing for the issuance of Airport Revenue Bonds. While these bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain adequate insurance as specified.

The Airports Commission has adopted a resolution creating a bond sinking fund for the General Obligation Bonds. Annual sinking fund payments of \$820,000 commenced in 1977 and are to continue through 1988. Such amounts plus investment income will be used to redeem principal and interest on bonds maturing from 1989 through 1994 totaling approximately \$16,370,000.

8. PENSION COSTS

Contributory retirement plan contributions included in operating expenses were approximately \$1,900,000 and \$1,600,000 for each of the fiscal years 1979 and 1978, respectively. Employer contribution rates are established by the Employees' Retirement System, City and County of San Francisco, based on actuarial valuations which take into consideration both unfunded past service costs and current costs.

A valuation of the Retirement System is conducted each even numbered year. In accordance with provisions of the City Charter, rates are designed to fully fund approximately 95% of anticipated liabilities over the average 14-year working lifetime of the active members.

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1979 AND 1978

8. PENSION COSTS (Continued)

The estimated excess liability for vested benefits above available assets of the System as of July 1, 1976 approximated \$546,000,000. Valuation of the Retirement System as of June 30, 1978 is currently in process. The estimated excess liability as of that date is therefore not presently available. The Retirement Board has adopted increased City and employee contribution rates which have been designed to fund the excess liability over a 14-year period, and meet current funding requirements.

9. CONTINGENT LIABILITIES AND LITIGATION

The Airport was contingently liable in connection with various contractor claims and other matters in litigation with total claims approximating \$6,000,000. In the opinion of the City Attorney, the ultimate liability is not ascertainable at this time; however, the potential liability is not expected to have any significant effect on Airport's financial position or results of operations.

On September 13, 1979, fifteen user airlines filed suit in U.S. District Court asserting that the City had illegally diverted, to its General Fund, interest on Airport funds. The suit seeks restoration of the diverted funds and a declaration that increases in landing fees adopted by Airports Commission as of July 1, 1978, be set aside. It is expected that the City's response to this lawsuit will include claims that it is entitled to repayment by the Airport of presently undetermined amounts for indirect services provided to the Airport and for interest on funds provided by the City for construction of Airport facilities. Evaluation of the possible outcome of the litigation is not presently possible; in the opinion of Airport management, the eventual outcome will have no significant effect on the Airport's financial position or operations.

Major types of insurance are placed with independent carriers. The Airport, however, acts as self-insurer against losses from worker's compensation claims and certain other liability, property and casualty losses. Liability for claims is charged against current operations in the year the amount becomes known.

10. COMMITMENTS

Purchase commitments for construction, materials and services at June 30, 1979 are approximately \$14,000,000, substantially all of which are payable from restricted assets.

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1979 AND 1978

10. COMMITMENTS (Continued)

The Airport sublets certain real property from Hughes Airwest which is leased to Hughes Airwest. The terms of the lease and sublease require minimum annual rentals through October 2005, as follows:

<u>Fiscal Year</u>	<u>Rental Expense</u>	<u>Rental Income</u>	<u>Net Rental Expense</u>
1980	\$ 211,415	\$126,848	\$ 84,567
1981	211,415	126,848	84,567
1982	211,415	126,848	84,567
1983	211,415	126,848	84,567
1984	201,955	123,588	78,367
1985-1989	809,099	185,383	623,716
1990-1994	723,943	-	723,943
1995-1999	573,723	-	573,723
2000-2005	<u>964,005</u>	<u>-</u>	<u>964,005</u>
	<u>\$4,118,385</u>	<u>\$816,363</u>	<u>\$3,302,022</u>

Net rental expense was \$84,567 and \$89,031 for the fiscal year 1979 and 1978, respectively.

11. TERMINAL AND LAND LEASES

Airline leases of terminal building space (South and Central terminals) have a common expiration date of August 31, 1979 unless extended. Through this period the rental may be reviewed and adjusted on an annual basis pursuant to supplemental agreements between the respective airline and the Commission. Each airline and the Airports Commission will negotiate as to a reasonable annual rental to be paid by the respective airline for each year of the extension period (September 1, 1979 - August 31, 1983, inclusive) and, if mutual agreement is reached, the Commission will extend the term of the lease for that period. Thereafter new leases will be negotiated as to term and rental review. An increase in terminal rentals was passed by the Commission effective September 1, 1978. The increase in terminal space rentals (approximately 24%) has been paid by the air carriers under protest.

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1979 AND 1978

11. TERMINAL AND LAND LEASES (Continued)

In May 1979, a major airline moved from the Central Terminal building to the newly opened North Terminal building under a lease expiring in 2004 at an annual rental of approximately \$4,000,000. The vacated space in the Central Terminal, which is expected to remain vacant until completion of renovation of the Central Terminal, had been occupied under a lease expiring in August 1979 at an annual rental of approximately \$1,634,000.

Airline leases of terminal space for the years ended June 30, 1979 and 1978, were approximately \$6,211,000 and \$4,663,000, respectively.

Other leases, which cover primarily land upon which the lessees have constructed maintenance and other facilities extend through the year 2013. Income from these leases amounted to approximately \$2,700,000 and \$2,600,000 for the years ended June 30, 1979 and 1978, respectively. Rentals under these leases are subject to periodic adjustment based upon reappraisal of land values.

ACCOUNTANTS' REPORT ON SUPPLEMENTARY INFORMATION

Our examinations of the basic financial statements presented in the preceding section of this report were made primarily to form an opinion on such financial statements taken as a whole. Our opinion covering the basic financial statements explains that Airport personnel have not completed the reconciliation of cash balances as of June 30, 1979, to reports received from the City and County of San Francisco (the "City"), the custodian of most Airport funds. Further, we have not received confirmation of certain information as of June 30, 1979 from City officials. The following data were subjected to the audit procedures applied in the examination of the basic financial statements. In our opinion, except for the effect of such adjustments, if any, that might be required as of June 30, 1979 as a result of completion of the cash reconciliations and receipt of other information from City officials, the following data are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Main Hurdman & Gaudin
CERTIFIED PUBLIC ACCOUNTANTS

San Francisco, California
September 24, 1979

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

JUNE 30, 1979

	Property, Plant and Equipment	Accumulated Depreciation and Amortization	Estimated Useful Lives (in Years)
LAND AND EASEMENTS:			
Land	\$ 2,029,008		
Easements	<u>286,902</u>		
	<u>2,315,910</u>		
LANDPLANE PORT:			
Land areas:			
Land reclamation and improvements	27,236,010	\$ 119,946	10
Field drainage	5,785,971	3,723,899	20 - 40
Drainage control	1,596,958	1,109,003	10 - 30
Runways, taxiways and apron	38,537,927	16,126,960	3 - 20
Landing field lighting and marking	<u>5,389,936</u>	<u>2,820,775</u>	5 - 15
	<u>78,546,802</u>	<u>23,900,583</u>	
Utilities, roads and parking areas:			
Roads, walks, parking areas, fences, etc.	50,066,270	6,168,739	2 - 40
Water supply system	1,870,477	979,936	5 - 30
Sewage system	6,825,095	1,802,233	5 - 40
Power supply and street lighting system	9,204,738	2,212,561	5 - 30
Telephone system, field areas	545,564	325,657	20 - 30
Gas supply system	6,119	2,129	20
Bridges and culverts	4,238,325	816,545	30 - 50
Landscaping	1,199,450	87,700	10 - 20
Gasoline line and storage	88,122	54,396	30
Miscellaneous items	<u>107,134</u>	<u>107,134</u>	5 - 10
	<u>74,151,294</u>	<u>12,557,030</u>	
Buildings, including parking facility	<u>106,569,392</u>	<u>28,941,626</u>	5 - 40
Capitalized interest	<u>1,202,392</u>	<u>235,075</u>	40
	<u>260,469,880</u>	<u>65,634,314</u>	

(Continued)

AIRPORTS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

SAN FRANCISCO INTERNATIONAL AIRPORT

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT
(Continued)

JUNE 30, 1979

	Property, Plant, and <u>Equipment</u>	Accumulated Depreciation and <u>Amortization</u>	Estimated Useful Lives (in Years)
SEAPLANE PORT:			
Landing areas	\$ 1,501,325	\$ 419,908	10 - 30
Utilities	297,059	297,059	5 - 25
Equipment and other	<u>48,873</u>	<u>48,873</u>	15 - 25
	<u>1,847,257</u>	<u>765,840</u>	
EQUIPMENT:			
Office furniture and appliances	588,413	287,654	10
Shop tools and building maintenance	473,873	98,132	5 - 20
Fire fighting	654,749	449,488	5 - 10
Motor driven	1,102,193	483,278	5 - 10
Meteorological	3,907	136	10
Sewage pump house	12,775	7,649	5 - 10
Radio	356,645	122,837	5 - 15
Engineering	55,107	24,640	2 - 10
Other	<u>473,039</u>	<u>178,991</u>	5 - 15
	<u>3,720,701</u>	<u>1,652,805</u>	
CONSTRUCTION IN PROGRESS	<u>107,828,984</u>	<u>-</u>	
	<u>\$376,182,732</u>	<u>\$68,052,959</u>	

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT
SCHEDULE OF OPERATING REVENUE
YEARS ENDED JUNE 30, 1979 AND 1978

	<u>1979</u>	<u>1978</u>
Aviation activities:		
Air carrier flight operations	\$21,169,493	\$ 9,882,013
Rents:		
Office space - passenger terminal buildings	6,211,389	4,662,894
Office space - air mail and cargo buildings	678,432	685,984
Paved and unimproved areas	1,264,454	1,214,936
Hangers	495,658	469,717
Other buildings and structures	157,666	162,910
Aircraft outdoor storage	<u>80,565</u>	<u>82,641</u>
	8,888,164	7,279,082
Fuel and oil:		
Delivery permits	106,588	59,302
Tank farm rental	<u>97,305</u>	<u>97,305</u>
	203,893	156,607
	<u>\$30,261,550</u>	<u>\$17,317,702</u>
Concessions:		
Public parking	\$ 7,653,967	\$ 7,032,545
Automobile rentals	5,130,169	3,949,856
News, tobacco and gift shops	3,065,601	2,366,253
Restaurant, bar and allied services	1,912,289	1,544,884
Limousine, taxi and bus service	785,532	802,083
Hotel	676,861	530,818
Automobile service station	368,586	341,997
Sale of petroleum products	382,199	263,675
Insurance	87,628	91,303
Telephone commissions	147,708	124,568
Miscellaneous retail stores	211,476	163,442
Advertising	110,428	109,961
Other	<u>63,081</u>	<u>49,896</u>
	<u>\$20,595,525</u>	<u>\$17,371,281</u>
Sales and services, net:		
Gate security	\$ 970,472	\$ 957,319
Electricity (less cost of sales of \$1,294,533 in 1979 and \$3,942,491 in 1978)	402,677	461,573
Water and steam (less cost of sales of \$155,924 in 1979 and \$154,968 in 1978)	84,054	68,831
Fine and forfeitures	154,586	90,705
Miscellaneous	<u>30,270</u>	<u>6,723</u>
	<u>\$ 1,642,059</u>	<u>\$ 1,585,151</u>

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT
SCHEDULE OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 1979 AND 1978

	<u>1979</u>	<u>1978</u>
Administrative:		
Salaries, wages and payroll benefits	\$ 1,721,967	\$ 1,411,471
Real estate taxes (less charges to tenants of \$16,372 in 1979 and \$56,123 in 1978)	278,682	511,562
Legal and professional services	1,058,056	666,201
Insurance	178,811	215,110
Employee transportation	375,749	992
Telephone and telegraph	148,187	117,112
Printing, stationery and postage	80,038	60,853
Data processing service	55,760	60,857
Provision for doubtful receivables	14,400	(53,024)
Travel, conventions and conferences	34,680	14,529
Other	<u>24,989</u>	<u>21,920</u>
	<u>\$ 3,971,319</u>	<u>\$ 3,027,583</u>
Maintenance:		
Salaries, wages and payroll benefits	\$ 4,876,930	\$ 4,464,479
General maintenance	1,284,585	936,476
Automobile and other facilities	232,988	177,910
Operating supplies and materials	245,684	118,985
Purchasing and other departments	<u>46,804</u>	<u>33,079</u>
	<u>\$ 6,686,991</u>	<u>\$ 5,730,929</u>
Operating:		
Salaries, wages and payroll benefits	\$ 5,343,688	\$ 4,502,230
Fire department services	2,536,469	2,397,274
Services - Bureau of Engineering	1,168,076	605,194
Utilities	2,559,005	1,722,513
Shuttle bus services	989,817	882,813
Contractual security services	205,662	25,869
Rent	225,943	231,363
Refuse disposal (less charges to tenants of \$10,876 in 1979 and \$10,876 in 1978)	55,062	18,163
Other	<u>334,681</u>	<u>127,514</u>
	<u>\$13,418,403</u>	<u>\$10,512,933</u>



CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO MUNICIPAL RAILWAY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1979 AND 1978

STATEMENT OF ALLOCATION AND EXPENDITURES OF
TRANSPORTATION DEVELOPMENT ACT FUNDS
YEAR ENDED JUNE 30, 1979

ACCOUNTANTS' REPORT

The Honorable John C. Farrell, Controller,
City and County of San Francisco,
San Francisco, California:

We have examined the balance sheet of the San Francisco Municipal Railway at June 30, 1979 and 1978, and the related statements of loss, net capital investment, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the San Francisco Municipal Railway at June 30, 1979 and 1978, and the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

John F. Forbes & Co.

San Francisco, California

May 21, 1980

CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO MUNICIPAL RAILWAY

BALANCE SHEET, JUNE 30, 1979 AND 1978

A S S E T S	1979	1978	L I A B I L I T I E S A N D N E T C A P I T A L I N V E S T M E N T	1979	1978
CASH.....	\$ 123,868	\$ 67,828	ACCOUNTS PAYABLE AND ACCRUED EXPENSES:		
RECEIVABLES:			Vouchers payable and accrued expenses....	\$ 11,940,980	\$ 4,205,186
Grants receivable (Note 3).....	64,157,762	72,271,492	Interfund:		
Less reserve against grants.....	(55,297,885)	(64,706,291)	General City and County Departments	10,881,599	8,032,412
Grants receivable (Note 3), City and County	3,939,418	3,559,881	Public Service Departments.....	23,015,679	12,476,378
Departments and funds.....	1,353,748	1,333,466			
Miscellaneous.....	14,153,043	12,458,548	ACCIDENT CLAIMS LIABILITY (Note 1).....	11,491,375	10,400,000
MATERIALS AND SUPPLIES (Note 1).....	1,950,421	2,015,616	OTHER ACCRUED LIABILITIES.....	736,954	728,479
PREPAID EXPENSES.....	26,951	42,694	LEASE CONTRACT PAYABLE (Note 5).....	34,286,828	4,400,981
INVESTMENT IN AND FEDERAL GRANT ADVANCES			NET CAPITAL INVESTMENT.....	116,838,933	95,423,280
TO SAN FRANCISCO MUNICIPAL RAILWAY					
IMPROVEMENT CORPORATION (Note 2).....	68,260,227	46,424,559			
PROPERTY, PLANT, AND EQUIPMENT (Note 1):					
Land.....	1,189,075	1,189,075			
Roads and structures (pledged: 1979,	78,246,521	28,090,631			
\$36,262,749) (Note 5).....					
Equipment (pledged: 1979 and 1978,	61,514,440	58,194,086			
\$3,680,404) (Note 5).....					
Power.....	143,498,592	89,232,638			
Less accumulated depreciation.....	48,127,621	43,233,984			
Property, plant, and					
equipment, net.....	94,571,271	45,988,664			
SYSTEM IMPROVEMENT PROGRAM AND TRANSIT					
IMPROVEMENT PROGRAM DESIGN AND					
CONSTRUCTION IN PROGRESS (Note 4).....	7,375,988	16,425,199			
	\$186,369,769	\$123,423,118			

See notes to financial statements.

CITY AND COUNTY OF SAN FRANCISCO

SAN FRANCISCO MUNICIPAL RAILWAY

STATEMENT OF (LOSS)
YEARS ENDED JUNE 30, 1979 AND 1978

	1979	1978
OPERATING REVENUES:		
Passenger.....	\$ 26,942,617	\$ 24,788,486
Advertising.....	476,789	513,699
Miscellaneous.....	479,897	13,822
Total operating revenues.....	<u>27,899,303</u>	<u>25,316,007</u>
EXPENSES (Note 1):		
Maintenance and repairs - Ways and structures.....	1,484,517	1,245,979
Equipment.....	7,387,687	6,635,437
Power.....	4,172,440	3,871,362
Conducting transportation.....	45,472,046	43,082,436
General and administrative.....	21,013,957	19,587,025
Payroll taxes.....	2,971,650	2,548,182
Accident claims (Note 1).....	3,771,041	2,121,074
Depreciation (Note 1).....	4,909,380	6,585,323
Total expenses.....	<u>91,182,718</u>	<u>85,676,818</u>
(LOSS) FROM OPERATIONS.....	(63,283,415)	(60,360,811)
INTEREST INCOME, NET (Note 2).....	1,162,114	1,978,078
OTHER INCOME, NET.....	<u>99,095</u>	<u>182,452</u>
NET (LOSS).....	<u>\$ (62,022,206)</u>	<u>\$ (58,200,281)</u>

See notes to financial statements.

CITY AND COUNTY OF SAN FRANCISCOSAN FRANCISCO MUNICIPAL RAILWAYSTATEMENT OF NET CAPITAL INVESTMENT
YEARS ENDED JUNE 30, 1979 AND 1978

	CONTRIBUTIONS RECEIVED	ACCUMULATED DEFICIT	NET CAPITAL INVESTMENT
BALANCE, JUNE 30, 1977....	\$453,364,894	\$(372,529,045)	\$ 80,835,849
CONTRIBUTIONS RECEIVED:			
From City and County of San Francisco:			
Tax support.....	44,586,259		44,586,259
Revenue sharing.....	4,065,900		4,065,900
Share of Metropolitan Transportation Commission grant....	6,351,604		6,351,604
From Federal grants:			
Capital projects (Note 3).....	10,218,748		10,218,748
Operating assistance (Note 3).....	7,565,201		7,565,201
NET (LOSS) FOR THE YEAR...		(58,200,281)	(58,200,281)
BALANCE, JUNE 30, 1978....	526,152,606	(430,729,326)	95,423,280
CONTRIBUTIONS RECEIVED:			
From City and County of San Francisco:			
Tax support.....	39,327,393		39,327,393
Revenue sharing.....	5,200,000		5,200,000
Share of Metropolitan Transportation Commission grant....	8,823,572		8,823,572
From Federal grants:			
Capital projects (Note 3).....	21,214,218		21,214,218
Operating assistance (Note 3).....	8,859,676		8,859,676
Other.....	13,000		13,000
NET (LOSS) FOR THE YEAR...		(62,022,206)	(62,022,206)
BALANCE, JUNE 30, 1979....	<u>\$609,590,465</u>	<u>\$(492,751,532)</u>	<u>\$116,838,933</u>

See notes to financial statements.

CITY AND COUNTY OF SAN FRANCISCO

SAN FRANCISCO MUNICIPAL RAILWAY

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEARS ENDED JUNE 30, 1979 AND 1978

	1979	1978
APPLICATION OF CASH:		
Operations:		
Net loss.....	\$ 62,022,206	\$58,200,281
Deduct depreciation which did not reduce cash.....	4,909,380	6,585,323
	<u>57,112,826</u>	<u>51,614,958</u>
Changes in assets and liabilities other than cash which are applications (sources) of cash:		
Increase in receivables.....	1,694,495	2,693,516
Increase (decrease) in materials and supplies.....	(165,195)	521,050
(Increase) decrease in accounts payable and accrued expenses.....	(10,545,301)	3,567,614
(Increase) in accident claims liability.....	(1,091,375)	
Increase (decrease) in other assets.....	(15,743)	33,249
(Increase) in other accrued liabilities.....	(8,475)	(14,754)
Cash used by operations.....	<u>46,981,232</u>	<u>58,415,633</u>
Increase in investment in and advances to San Francisco Municipal Railway Improvement Corporation.....	21,843,658	6,125,324
Additions to property, plant, and equipment.....	53,491,987	5,166,353
Increase (decrease) in System Improvement Program and Transit Improvement Program design and construction in progress.....	(9,049,211)	3,343,461
(Increase) decrease in lease contract payable.....	<u>(29,885,847)</u>	<u>224,254</u>
Forward.....	<u>\$ 83,381,819</u>	<u>\$73,275,025</u>

(Continued) - 1.

CITY AND COUNTY OF SAN FRANCISCO
 SAN FRANCISCO MUNICIPAL RAILWAY
 STATEMENT OF CHANGES IN FINANCIAL POSITION, ETC.

	1979	1978
APPLICATION OF CASH (Forward).....	\$83,381,819	\$73,275,025
SOURCE OF CASH:		
Contributions:		
City and County of San Francisco:		
Tax support.....	39,327,393	44,586,259
Revenue sharing.....	5,200,000	4,065,900
Share of Metropolitan Transportation		
Commission grant - Transportation		
Development Act.....	8,823,572	6,351,604
Federal grants:		
Capital projects.....	21,214,218	10,218,748
Operating assistance.....	8,859,676	7,565,201
Other.....	13,000	
	<u>83,437,859</u>	<u>72,787,712</u>
INCREASE (DECREASE) IN CASH.....	56,040	(487,313)
CASH, BEGINNING OF YEAR.....	<u>67,828</u>	<u>555,141</u>
CASH, END OF YEAR.....	<u>\$ 123,868</u>	<u>\$ 67,828</u>

See notes to financial statements.

CITY AND COUNTY OF SAN FRANCISCO

SAN FRANCISCO MUNICIPAL RAILWAY

NOTES TO FINANCIAL STATEMENTS

NOTE:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Materials and Supplies

Materials and supplies inventories are valued at average cost, which is generally lower than market or estimated scrap value.

Property, Plant, and Equipment

Property, plant, and equipment acquired prior to June 30, 1938 is stated at the appraised value as of that date. Property, plant, and equipment purchased subsequent to June 30, 1938 is generally stated at cost, except for the Market Street Extension which is stated at the appraised value as of September 30, 1944. As provided in the Charter of the City and County of San Francisco, the Public Utilities Commission makes an appraisal every five years of the property, plant, and equipment of the Municipal Railway. This appraisal includes inspection of the properties and a review of the estimated remaining life and depreciated value of assets in order to determine annual depreciation. Depreciation for the years ended June 30, 1979 and 1978 of \$4,909,380 and \$6,585,323, respectively, is based on the June 30, 1973 appraisal and on cost for assets acquired since that date. Depreciation is computed on the straight-line method over the remaining useful lives of the assets. No depreciation is taken in the year of acquisition and a full year's depreciation is taken in the year of disposal.

Accident Claims Liability

Accident claims liability is estimated by determining the average for the last five years of the amount of claims paid to the amount of claims and suits liquidated and applying this percentage to the balance of claims pending at year end. See Note 6.

Contributed Services

Services contributed by other City departments and various Federal and State programs which are not billed to the Municipal Railway are not reflected in the accompanying financial statements. During the years ended June 30, 1979 and 1978, these services included operational costs of the Municipal Railway overhead lines of approximately \$1,100,000 and \$1,500,000, which were paid each year by Hetch Hetchy Project. In addition, operating expenses of approximately \$1,937,092 and \$840,000 for the years ended June 30, 1979 and 1978, respectively, were contributed under the Comprehensive Employment Training Act (CETA) and the Emergency Maintenance Program.

2. INVESTMENT IN AND FEDERAL GRANT ADVANCES TO SAN FRANCISCO
MUNICIPAL RAILWAY IMPROVEMENT CORPORATION

The San Francisco Municipal Railway Improvement Corporation (SFMRIC) is a nonprofit, nonstock corporation established to provide financial assistance to and on behalf of the City and County of San Francisco in the modernization of the Municipal Railway by purchasing equipment and improving facilities. The equipment and facilities are then leased to the City and County of San Francisco as described in Note 5. The modernization includes the Transit Equipment Program through which motor coaches, trolley coaches, streetcars, etc. are acquired; the Transit Improvement Program whose projects include rerailing, a subway signal system, and the construction of various storage and repair facilities; and the System Improvement Program which includes additional equipment and facilities needed to supplement the first two phases. A fourth phase, the Power Improvement Program, which will modernize the electrical distribution system is under the jurisdiction of Hetch Hetchy Project.

Funds for the Transit Equipment Program, Transit Improvement Program and the System Improvement Program are generated from bonds issued by SFMRIC and Federal grants received by the Municipal Railway from the Department of Transportation under the Urban Mass Transit Act. Under an agreement dated January 15, 1969, the Municipal Railway agreed to advance all funds received under the Transit Equipment Program and the Transit Improvement Program to SFMRIC. The investment in and Federal grant advances to San Francisco Municipal Railway Improvement Corporation of \$68,268,227 and \$46,424,569 at June 30, 1979 and 1978, respectively,

represents the amount of Federal grants received, net of equipment purchases, and the accumulated net income of SFMRIC. The accumulated net income of SFMRIC, which consists principally of the excess of interest income over administrative expenses, is restricted to capital improvements and cannot be used to reduce the operating deficit of the Municipal Railway. Net income from SFMRIC for the years ended June 30, 1979 and 1978 of \$4,772,472 and \$2,202,051, respectively, is included in interest income, net.

3. GRANTS RECEIVABLE

The United States Department of Transportation, under the Urban Mass Transit Act, has agreed to partially fund the Municipal Railway modernization program described in Note 2.

The Municipal Railway is eligible for operating assistance under the Urban Mass Transit Act. The receivable of \$8,859,877 and \$7,565,201 represents funds receivable applicable to the years ended June 30, 1979 and 1978, respectively.

The Municipal Railway received an allocation of \$7,438,065 in bridge toll revenues from the Metropolitan Transportation Commission for the fiscal year ended June 30, 1979. The funds have been designated for lease payments of \$4,438,065 to the San Francisco Municipal Railway Improvement Corporation and capital expenditures of \$3,000,000. The Metropolitan Transportation Commission has also allocated Transportation Development Act funds to the Municipal Railway for the years ended June 30, 1979 and 1978 of \$10,739,532 and \$6,351,604, respectively. These funds have been designated for the following purposes:

	<u>1979</u>	<u>1978</u>
Operations.....	\$ 6,517,000	\$ 100,000
Capital.....	2,850,960	5,705,962
Planning.....	1,103,000	250,000
Community transit services...	268,572	295,642
	<u>\$10,739,532</u>	<u>\$6,351,604</u>

CITY AND COUNTY OF SAN FRANCISCO
 PUBLIC WORKS DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS

Grants receivable at June 30, 1979 and 1978 are summarized below:

	Total	Transit Equipment Program	Planning Operations Management	Bus/Bus Operations Control	Transit Improvement Program	Railroad Energy Program	Electric Energy Program	System Improvement Program	Federal Aid to Urban Systems	Information Management System	Program For Medically Handicapped and Elderly	Short-term Study Program	Leak Study	Federal Highway Maintenance	Metropolitan Rapid Transit System TOLLE	Other Transportation Development ACT	Grants - Revenue Share
Balance, June 30, 1977..	\$ 56,489,139	\$ 15,997,728	\$ 75,259	\$ 6,512	\$ 21,094,746	\$ 15,651	\$ 11,544,342	\$ 1,713,374	\$ 177,962	\$ 83,215	\$ 60,000	\$ 160,000	7,965,201	\$ 5,872,565		\$ 6,331,604	
New grants approved during the year ended June 30, 1978..	14,230,020																
Members to existing grants received during the year ended June 30, 1978..	24,006,250				12,379,672		11,413,578										
Payments received during the year ended June 30, 1978..	(22,442,917)	(518,004)	(18,467)	(4,072)	(8,206,189)		(1,436,677)	1,713,374	123,794	(54,188)			(5,872,565)			(6,331,604)	
Balance, June 30, 1978..	73,271,492	15,479,724	56,592	2,440	25,081,208	15,651	\$ 21,931,243	1,713,374			83,215	60,000	160,000	7,965,201			
New grants approved during the year ended June 30, 1979..	27,402,524																
Members to existing grants received during the year ended June 30, 1979..	2,086,536						2,076,737					60,000		(201)			
Payments received during the year ended June 30, 1979..	(37,692,790)	(10,335,720)			(5,979,437)		(4,610,774)		(8,150)	(39,189)	(44,949)		(7,385,000)			(6,822,572)	
Balance, June 30, 1979..	\$ 64,157,762	\$ 5,142,994	\$ 6,592	\$ 2,440	\$ 19,101,841	\$ 15,651	\$ 19,197,206	\$ 1,713,374	\$ 115,644	\$ 48,017	\$ 75,051	\$ 160,000	\$ 8,859,877	\$ 7,438,605	\$ 1,915,860	\$ 381,050	\$ 4,000
Reserve against grants receivable																	
June 30, 1978..																	
June 30, 1979..																	

All capital grants are fully reserved until reimbursements for project costs are received.

(Continued) - 4 -

CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO MUNICIPAL RAILWAY
NOTES TO FINANCIAL STATEMENTS

4. SYSTEM IMPROVEMENT PROGRAM AND TRANSIT IMPROVEMENT
PROGRAM DESIGN AND CONSTRUCTION IN PROGRESS

System Improvement Program and Transit Improvement Program design and construction in progress represent the costs incurred by the Municipal Railway, net of advances from San Francisco Municipal Railway Improvement Corporation of \$900,000. In addition to the above, San Francisco Municipal Railway Improvement Corporation also incurred costs of construction in progress for the modernization of the Municipal Railway of \$29,178,965 and \$44,251,278 at June 30, 1979 and 1978, respectively.

5. LEASE CONTRACT PAYABLE

The City and County of San Francisco entered into an Equipment Lease Agreement, dated January 15, 1969, with San Francisco Municipal Railway Improvement Corporation (SFMRIC) (see Note 2). The leases are signed when SFMRIC issues the bonds to purchase the equipment and facilities; however, lease payments generally do not begin until the equipment is placed in service. Lease payments cover debt service on the bonds and taxes, insurance and other costs incurred by SFMRIC. The bonds are the liabilities of SFMRIC only and not liabilities of the City and County of San Francisco. The equipment and facilities subject to the leases are owned by SFMRIC and may or may not become the property of the City. Under the terms of the leases the City is obligated only for the payment of rent; however, since the terms and conditions of these leases meet the criteria for capitalization prescribed by generally accepted accounting principles, these leases have been capitalized. The assets and related liability are recorded at the actual cost, including capitalized interest, incurred by SFMRIC. Equipment and construction in progress of the Railway included \$41,662,718 and \$5,399,969 of capitalized leased assets at June 30, 1979 and 1978, respectively.

CITY AND COUNTY OF SAN FRANCISCO
 SAN FRANCISCO MUNICIPAL RAILWAY
 NOTES TO FINANCIAL STATEMENTS

The lease liability is summarized as follows:

	<u>1979</u>	<u>1978</u>
Facilities Lease No. 1A - Rails and Accessories, payable in semiannual installments through January 15, 1993.....	\$ 1,685,235	\$1,785,805
Facilities Lease No. 2 - Motor coach storage and maintenance facilities, Phase I, net of payments to the City and County of San Francisco for site lease, payable in semiannual installments through January 15, 1994.....	2,486,847	2,615,176
Facilities Lease No. 2 - Motor coach storage and maintenance facilities, Phase II, payable in semiannual installments through January 15, 1997.....	9,198,021	
Facilities Lease No. 3 - Muni metro rail center, net of payments to the City and County of San Francisco for site lease, payable in semiannual installments through January 15, 1997.....	<u>20,916,725</u>	
	<u>\$34,286,828</u>	<u>\$4,400,981</u>

In addition, Equipment Lease No. 3, which was to have commenced February 1, 1976, with payments beginning July 15, 1976 and Facilities Lease No. 1B, which was to have commenced February 1, 1977, with payments beginning July 15, 1977, have not been capitalized as the projects are not yet completed. Advance payments on these leases in the aggregate amount of \$793,645 and \$1,769,188 are included in the Investments and Advances to San Francisco Municipal Railway Improvement Corporation at June 30, 1979 and 1978, respectively. A portion of the advance payments made in 1978 were applied as reimbursement in 1979 of expenses incurred by SFMRIC.

CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO MUNICIPAL RAILWAY
NOTES TO FINANCIAL STATEMENTS

6. CONTINGENT LIABILITIES

The Municipal Railway is self-insured for workers' compensation claims. It also pays the first \$2,000,000 of each accident claim settled.

7. PENSION PLAN

The Municipal Railway employees participate in the retirement plan of the City and County of San Francisco. Pension expense was \$9,271,571 and \$9,393,102 for the years ended June 30, 1979 and 1978, respectively.

CITY AND COUNTY OF SAN FRANCISCO

SAN FRANCISCO MUNICIPAL RAILWAY

STATEMENTS OF ALLOCATIONS AND EXPENDITURES

OF TRANSPORTATION DEVELOPMENT ACT FUNDS

ACCOUNTANTS' REPORT

The Honorable John C. Farrell, Controller,
City and County of San Francisco,
San Francisco, California:

We have examined the statement of expenditures of the 1977-1978 allocation of Transportation Development Act funds and the statement of the 1978-1979 allocation and expenditures of Transportation Development Act funds of the San Francisco Municipal Railway, both for the year ended June 30, 1979. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1, all funds received for the San Francisco Municipal Railway are on deposit with the Treasurer of the City and County of San Francisco. Interest earned, if any, on Transportation Development Act funds and the compliance by the San Francisco Municipal Railway with Section 99301 of the Public Utilities Code is not determinable.

Management of the San Francisco Municipal Railway determined, as described in Note 2, that costs for the year ended June 30, 1978 other than those directly charged against the planning allocation were appropriate planning expenditures. These costs, however, were included in other operating expenses of the San Francisco Municipal Railway, and we were unable to satisfy ourselves as to their being separately chargeable as planning costs.

In our opinion, except for the matters discussed in the preceding two paragraphs, the Transportation Development Act funds allocated to San Francisco Municipal Railway were expended in conformance with the applicable laws, rules and regulations of the Transportation Development Act and the allocation instructions of the Metropolitan Transportation Commission.

John F. Forbes & Co.

San Francisco, California

May 21, 1980

CITY AND COUNTY OF SAN FRANCISCO

SAN FRANCISCO MUNICIPAL RAILWAY

STATEMENT OF EXPENDITURES OF THE 1977-1978 ALLOCATION OF
TRANSPORTATION ACT FUNDS
YEAR ENDED JUNE 30, 1979

	<u>Total</u>	<u>Capital</u>	<u>Planning</u>	<u>Southern Pacific Commuter Ticket Resale Program</u>
UNEXPENDED BALANCE OF 1977-1978				
ALLOCATION OF FUNDS, JUNE 30, 1978 (Note 1).....	\$1,534,219	\$1,369,878	\$121,877	\$42,464
EXPENDITURES DESIGNATED BY MANAGEMENT				
AS PLANNING COSTS (Note 2).....	106,877		106,877	
UNEXPENDED BALANCE ADJUSTED FOR				
DESIGNATED PLANNING COSTS.....	1,427,342	1,369,878	15,000	42,464
EXPENDITURES:				
Facilities maintenance.....	109,656	109,656		
Rehabilitation of Turk Street building.....	29,891	29,891		
Other capital items.....	8,379	8,379		
Other items.....	37,250		6,495	30,755
Total expenditures.....	185,176	147,926	6,495	30,755
UNEXPENDED BALANCE, JUNE 30, 1979, FORWARDED TO FUTURE YEARS.....	\$1,242,166	\$1,221,952	\$ 8,505	\$11,709

See notes to statements of allocations and expenditures.

CITY AND COUNTY OF SAN FRANCISCO

SAN FRANCISCO MUNICIPAL RAILWAY

STATEMENT OF THE 1978-1979 ALLOCATION AND EXPENDITURES OF
TRANSPORTATION ACT FUNDS
YEAR ENDED JUNE 30, 1979

	Total	Operations	Capital	Planning	Canon KIP	Elderly and Handicapped Program	Community Services..
1978-1979 ALLOCATION OF FUNDS APPROVED BY METROPOLITAN TRANSPORTATION COMMISSION - RESOLUTION NO. 550.....	\$10,746,532	\$6,517,000	\$2,850,960	\$1,110,000	\$263,572	\$5,000	...
EXPENDITURES DURING YEAR ENDED							
JUNE 30, 1979:	6,517,000	6,517,000					
Transferred to operating budget.....							
System Improvement Program:							
Purchase of Light Rail Vehicle							
components and accessories.....	37,847						
Training of personnel.....	2,049						
Service of equipment.....	4,311						
Facilities maintenance.....	41,675						
Professional services rendered							
under Transit Information	259,107						
Management System.....							
Professional services rendered							
for analyzing and evaluating	100,000						
transit financing.....							
Membership in Regional Transit	30,000						
Association.....							
Salaries and fringes of planning	149,280						
personnel.....							
Payment to Transportation Terminal	7,000						
Authority.....							
Reimbursement of operating costs							
of elderly transit program.....	85,000						
Other items.....	28,164						
Total expenditures.....	7,261,433	6,517,000	85,882	559,398	97,300	1,853	
UNEXPENDED BALANCE, JUNE 30, 1979,	\$ 3,485,099	\$ -	\$2,765,078	\$ 550,602	\$166,272	\$3,147	
FORWARDED TO FUTURE YEARS.....							

See notes to statements of allocations and expenditures.

CITY AND COUNTY OF SAN FRANCISCO

SAN FRANCISCO MUNICIPAL RAILWAY

NOTES TO STATEMENTS OF ALLOCATIONS AND EXPENDITURES

NOTE:

1. INTEREST EARNED ON FUNDS

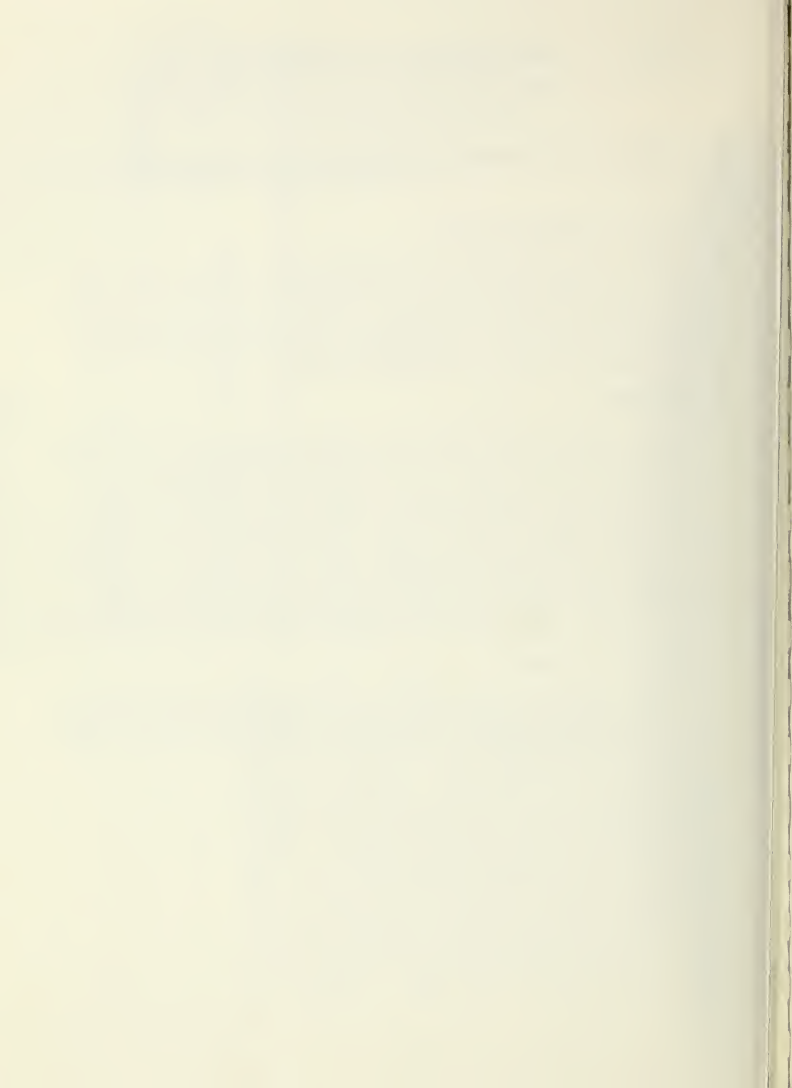
Interest earned on funds received under the Transportation Development Act is to be expended for purposes for which the funds were originally allocated. All funds received for the benefit of the San Francisco Municipal Railway are on deposit with the Treasurer of the City and County of San Francisco. The amount of interest earned on these funds, if any, is not determinable.

2. PLANNING

The salary expenditures reported for planning in the amount of \$125,028 for 1977-1978 were for specifically designated planning personnel. In the opinion of management of the San Francisco Municipal Railway, certain other administrative personnel participated in the planning process. Management determined that salaries, fringe benefits and other related costs in the amount of \$69,368 for the services of such personnel and the fringe benefits of \$37,509 for specifically designated planning personnel should be charged against the planning allocation. These costs, however, were included in other operating expenses and have not been charged directly against the planning allocation.

3. UNEXPENDED BALANCE

The expenditures reflected in the accompanying statements do not include expenditures made subsequent to June 30, 1979 or encumbrances and appropriations of funds for applicable future projects.



CITY AND COUNTY OF SAN FRANCISCO

WATER DEPARTMENT AND HETCH HETCHY PROJECT

COMBINED FINANCIAL STATEMENTS

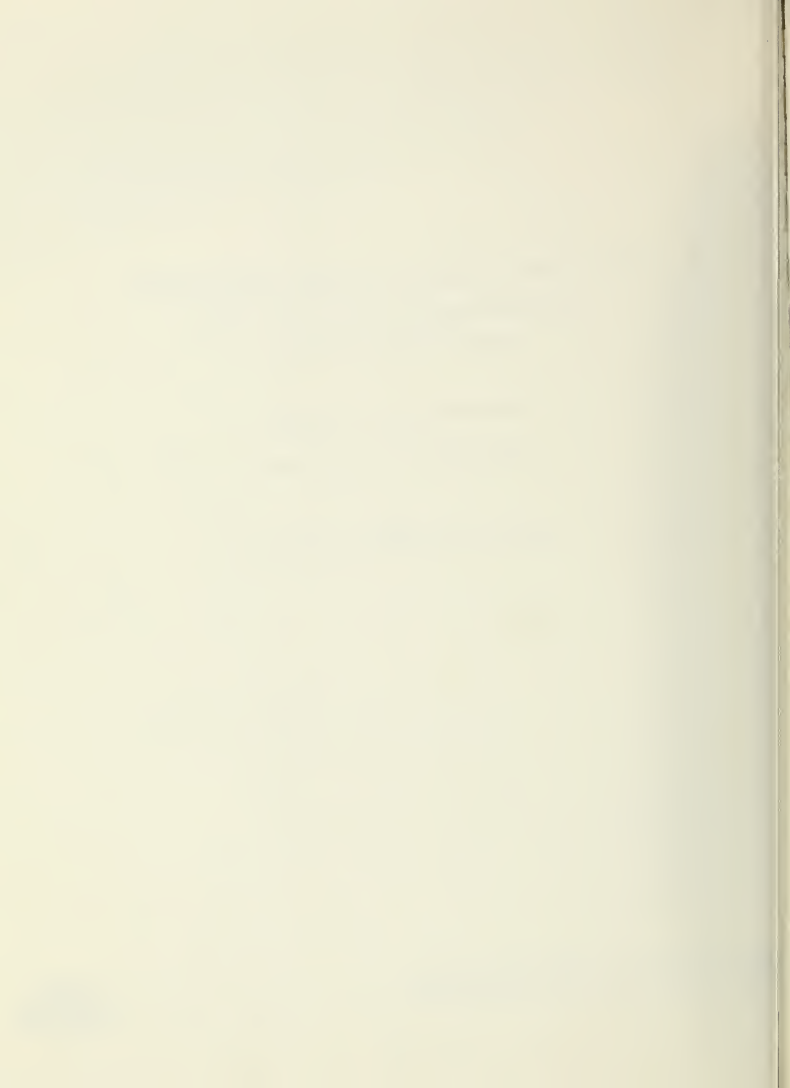
WITH SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 1979 AND 1978

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS





Main Hurdman & Cranstoun

certified public accountants



Suite 2500
Two Embarcadero Center
San Francisco, CA 94111
(415) 981-7720

The Honorable John C Farrell, Controller
City and County of San Francisco
San Francisco, California

We have examined the combined balance sheets of the San Francisco Water Department and Hetch Hetchy Project as of June 30, 1979 and 1978 and the related combined statements of income and net capital investment and of changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements identified above present fairly the combined financial position of the San Francisco Water Department and Hetch Hetchy Project at June 30, 1979 and 1978, and the results of their combined operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Main Hurdman & Cranstoun

Certified Public Accountants

January 21, 1980

CITY AND COUNTY OF SAN FRANCISCO
WATER DEPARTMENT AND HETCH HETCHY PROJECT

COMBINED BALANCE SHEETS

June 30, 1979 and 1978

	<u>1979</u>	<u>1978</u>
<u>ASSETS</u>		
Property, plant, and equipment:		
Utility plant:		
Water	\$342,272,630	\$339,598,978
Power	86,195,335	86,170,666
Joint	103,795,367	103,758,934
Other	567,184	576,244
Total utility plant	532,830,516	530,104,822
Accumulated depreciation	185,741,569	177,304,193
	347,088,947	352,800,629
Construction in progress	30,313,589	22,090,072
Net property, plant, and equipment	377,402,536	374,890,701
Current assets:		
Cash (on deposit with City Treasurer:		
1979, \$46,336,086;		
1978, \$22,799,161) (Note 4)	46,374,086	22,833,161
Accounts receivable:		
Water and power	10,902,429	15,034,239
Rentals, claims, and other	229,319	42,515
	11,131,748	15,076,754
Allowance for doubtful accounts	4,935,137	3,964,571
	6,196,611	11,112,183
Grants receivable (Note 2)	18,737,317	23,139,156
Reserve against grants (Note 2)	18,197,886	22,413,614
	539,431	725,542
Interfund accounts receivable:		
General City departments and funds	10,621,081	2,299,993
Public service departments	74,483	9,499
Materials and supplies - at the lower of average cost or market	1,157,686	1,313,872
Investment - Don Pedro Project	470,154	515,024
Unbilled costs or deposits on work orders for other City departments	482,054	1,550,284
Total current assets	65,915,586	40,359,558
	<u>\$443,318,122</u>	<u>\$415,250,259</u>

The accompanying notes are an integral part of these combined financial statements.

	<u>1979</u>	<u>1978</u>
<u>CAPITALIZATION AND LIABILITIES</u>		
Net capital investment	\$347,542,262	\$326,876,275
Long-term debt (Note 3)	<u>69,125,001</u>	<u>69,554,998</u>
Total capitalization	416,667,263	396,431,273
Current liabilities:		
Current portion of long-term debt (Note 3)	8,608,999	8,839,002
Accrued interest payable	987,760	911,559
Other accrued payables	4,875,888	4,875,888
Accounts payable	2,859,885	1,960,062
Accrued payroll	1,068,455	89,665
Retained percentages due contractors	300,003	430,165
Interfund payables:		
General City departments and funds	6,936,676	487,605
Public service departments	82,250	-
Damage and claim liability	<u>195,000</u>	<u>575,000</u>
Total current liabilities	25,914,916	18,168,946
Commitments and contingent liabilities (Note 6)	-	-
Deposits and construction advances	<u>735,943</u>	<u>650,040</u>
	<u>\$443,318,122</u>	<u>\$415,250,259</u>

CITY AND COUNTY OF SAN FRANCISCO
WATER DEPARTMENT AND HETCH HETCHY PROJECT

COMBINED STATEMENTS OF INCOME
AND NET CAPITAL INVESTMENT

Years Ended June 30, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Operating revenues:		
Water	\$ 35,153,901	\$ 33,112,725
Electricity	<u>30,374,464</u>	<u>46,945,096</u>
Total operating revenues	65,528,365	80,057,821
Operating expenses:		
Purchased power and energy	4,158,554	30,103,832
Transmission and distribution	7,005,086	7,035,622
Operation and maintenance	20,359,666	22,999,080
Depreciation	8,252,648	7,964,334
Property taxes	<u>1,168,826</u>	<u>2,375,228</u>
Total operating expenses	<u>40,944,780</u>	<u>70,478,096</u>
Operating income	24,583,585	9,579,725
Other income:		
Rental income and crop sales, net of expense	894,504	613,166
Interest	284,755	199,198
Other	<u>974,903</u>	<u>1,765,717</u>
	2,154,162	2,578,081
Other expenses:		
Interest expense	2,315,085	2,651,878
Operation of Municipal Railway overhead lines	1,035,672	968,951
Other	<u>762,943</u>	<u>16,334</u>
	<u>4,113,700</u>	<u>3,637,163</u>
Net income	22,624,047	8,520,643
Net capital investment, beginning of year	326,876,275	315,540,745
Grants received in aid of construction	4,108,940	2,814,887
Contribution to City and County of San Francisco General Fund	<u>6,067,000</u>	<u>-</u>
Net capital investment, end of year	<u>\$347,542,262</u>	<u>\$326,876,275</u>

The accompanying notes are an integral part of these combined financial statements.

CITY AND COUNTY OF SAN FRANCISCO
WATER DEPARTMENT AND HETCH HETCHY PROJECT

COMBINED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years Ended June 30, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Cash was provided by (applied to):		
Net income	\$22,624,047	\$ 8,520,643
Items of income not affecting cash:		
Add charges:		
Depreciation	8,256,648	7,964,334
Loss from Don Pedro Project	44,870	-
Deduct credits:		
Income from Don Pedro Project	-	427,191
Total provided by operations	<u>30,925,565</u>	<u>16,057,786</u>
Sale of bonds	8,000,000	6,000,000
Decrease in accounts receivable	4,915,572	3,619,025
Decrease in grants receivable	186,111	2,882,577
Grant received in aid of constuction	4,108,940	2,814,887
Decrease (increase) in materials and supplies	156,186	(52,575)
Decrease (increase) in unbilled costs and work orders	1,068,230	(762,166)
Increase in other accrued liabilities	-	4,875,888
Increase (decrease) in deposits and construction advances	85,903	(71,860)
Increase (decrease) interest payable	76,201	(97,128)
Increase (decrease) in accounts payable	899,823	(9,106,397)
Increase (decrease) in accrued payroll	978,790	(69,520)
Increase (decrease) in interfund payables	<u>6,531,321</u>	<u>(63,950)</u>
Total cash provided	57,932,642	26,026,567
Cash was applied to (provided by):		
Property additions, net	10,768,483	9,847,417
Reduction of long-term debt	8,660,000	10,136,000
Increase (decrease) in interfund receivables	8,386,072	(4,395,966)
Decrease in damage and claim liability	380,000	275,000
Decrease in retained percentages due contractors	130,162	166,123
Contribution to general fund	<u>6,067,000</u>	<u>-</u>
Total cash applied	<u>34,391,717</u>	<u>16,028,574</u>
Increase in cash	<u>\$23,540,925</u>	<u>\$ 9,997,993</u>

The accompanying notes are an integral part of these combined financial statements.

CITY AND COUNTY OF SAN FRANCISCO
WATER DEPARTMENT AND HETCH HETCHY PROJECT

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 1979 and 1978

1 - Summary of Significant
Accounting Policies

Basis of Combined
Accounting Policies

Section 3.592 of the Charter of the City and County of San Francisco requires that the Hetch Hetchy Project, on completion, be merged with the Water Department. A charter amendment has been approved by the electorate to permit a merger prior to physical completion, upon recommendation by the Public Utilities Commission and approval by two-thirds vote of the Board of Supervisors. To date, the Public Utilities Commission has not recommended such a merger.

These financial statements reflect the combined statements of the Water Department and the Hetch Hetchy Project. All significant interdepartmental transactions have been eliminated.

Revenue Recognition

Revenues from water and power services furnished to consumers are recognized in the financial statements when billed. In general, customers are billed on a cyclical basis with large industrial customers being billed monthly and all other customers bimonthly.

The Water Department is responsible for collecting certain taxes and service charges for the City and County of San Francisco. The Department includes these charges in its billings to customers and deposits the monies received directly in the account of the responsible City agency. Such amounts collected during the year or receivable at year end are not recorded in the financial statements as no liability exists until monies are collected.

CITY AND COUNTY OF SAN FRANCISCO
WATER DEPARTMENT AND
HETCH HETCHY PROJECT
NOTES TO COMBINED
FINANCIAL STATEMENTS
June 30, 1979 and 1978

-2-

The combined statements of income include revenues of \$2,314,000 and \$2,817,000 for 1979 and 1978, respectively, for water delivered without charge to certain City and County departments. An equal amount is charged to operations and maintenance expense for the estimated municipal property tax expense. The amounts were computed according to provisions of the Charter of the City and County of San Francisco so that each utility will reflect estimated taxes against property of the utility as if it were privately owned and operated.

Property, Plant, and Equipment

Utility plant is recorded substantially at cost except where costs are not available, in which case, nominal or estimated values are used. Such nominal or estimated values do not represent market or replacement values. Depreciation is computed by the straight-line method based on the estimated useful lives of the related depreciable assets.

Interest During Construction

Certain projects are constructed using the proceeds from the sale of bonds. Interest costs incurred during the period of construction of these projects are capitalized and depreciated as part of the cost project over its estimated useful life.

Reclassification

Warrants outstanding, originally presented as a liability on the 1978 financial statements, have been reclassified as a reduction of cash to conform to 1979 presentation.

CITY AND COUNTY OF SAN FRANCISCO
WATER DEPARTMENT AND
HETCH HETCHY PROJECT
NOTES TO COMBINED
FINANCIAL STATEMENTS
June 30, 1979 and 1978

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2 - Grants Receivable

The United States Department of Transportation and other Federal and state agencies have approved grants to Hetch Hetchy Project for work on the Power Improvement Program for the Municipal Railway and other projects. The grants, which reimburse portions of approved expenditures, become due as costs are incurred. Amounts not currently receivable are reserved in the financial statements. Detail of grants receivable follows:

Power Improvement Program:	
Balance, June 30, 1977	\$24,991,159
Reimbursable costs expended during the year ended June 30, 1978	<u>2,089,346</u>
Balance, June 30, 1978	22,901,813
Reimbursable costs received during the year ended June 30, 1979	<u>4,295,051</u>
Balance, June 30, 1979	18,606,762
Moccasin Sewage Treatment Program:	
Federal and state grants approved at June 30, 1979	<u>130,555</u>
	<u><u>\$18,737,317</u></u>

CITY AND COUNTY OF SAN FRANCISCO
 WATER DEPARTMENT AND
 HETCH HETCHY PROJECT
 NOTES TO COMBINED
 FINANCIAL STATEMENTS
 June 30, 1979 and 1978

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3 - Long-Term Debt

Long-term debt consists of the following:

General Obligation Bonds

	Interest Rate	Year Last Series Matures
City and County of San Francisco: 1955 Hetch Hetchy Power Bonds	1/4% - 3-1/2%	1985
1961 Municipal Water System Bonds: Allocated to Hetch Hetchy Allocated to Water Department	1/4% - 5.1%	1993
1972 Municipal Water System Bonds	5% - 6-1/2%	1995
Bonds matured, not presented for payments:		
Water Department	-	-
Hetch Hetchy	-	-

Original Amount		-----Balance At June 30-----			
Authorized	Sold	1979		1978	
		Current	Long-Term	Current	Long-Term
\$ 54,000,000	\$ 54,000,000	\$1,210,000	\$ 1,925,000	\$1,420,000	\$ 3,135,000
48,000,000	48,000,000	3,833,626	27,824,604	3,833,630	31,658,230
67,000,000	67,000,000	2,691,373	15,325,397	2,691,372	18,016,768
115,000,000	115,000,000	6,524,999	43,150,001	6,525,002	49,674,998
39,000,000	27,925,000	845,000	24,050,000	845,000	16,745,000
-	-	8,000	-	3,000	-
-	-	21,000	-	46,000	-
		29,000	-	49,000	-
		<u>\$8,608,999</u>	<u>\$69,125,001</u>	<u>\$8,839,002</u>	<u>\$69,554,998</u>

CITY AND COUNTY OF SAN FRANCISCO
WATER DEPARTMENT AND
HETCH HETCHY PROJECT
NOTES TO COMBINED
FINANCIAL STATEMENTS
June 30, 1979 and 1978

-5-

4 - Restricted Funds

Included in the combined balance sheets are restricted amounts from the bond funds summarized as follows:

	<u>Total</u>	<u>1955 Bond Fund</u>	<u>1961 Bond Fund</u>	<u>1972 Bond Fund</u>
-----1979-----				
Cash	\$14,529,933	\$2,427,481	\$ 793,309	\$11,309,143
Construction in progress	2,286,715	200	-	2,286,515
Other	<u>8,470,154</u>	<u>-</u>	<u>470,154</u>	<u>8,000,000</u>
	<u>\$25,286,802</u>	<u>\$2,427,681</u>	<u>\$1,263,463</u>	<u>\$21,595,658</u>
Accounts payable	\$ 457,798	\$ 200	\$ 6,697	\$ 450,901
Net capital investment	<u>24,829,004</u>	<u>2,427,481</u>	<u>1,256,766</u>	<u>21,144,757</u>
	<u>\$25,286,802</u>	<u>\$2,427,681</u>	<u>\$1,263,463</u>	<u>\$21,595,658</u>
-----1978-----				
Cash	\$14,829,526	\$2,452,585	\$ 812,013	\$11,564,928
Construction in progress	2,031,077	-	562,128	1,468,949
Other	<u>512,260</u>	<u>-</u>	<u>512,260</u>	<u>-</u>
	<u>\$17,372,863</u>	<u>\$2,452,585</u>	<u>\$1,886,401</u>	<u>\$13,033,877</u>
Accounts payable	\$ 29,739	\$ 5,656	\$ 3,021	\$ 21,062
Net capital investment	<u>17,343,124</u>	<u>2,446,929</u>	<u>1,883,380</u>	<u>13,012,815</u>
	<u>\$17,372,863</u>	<u>\$2,452,585</u>	<u>\$1,886,401</u>	<u>\$13,033,877</u>

5 - Pension Plan

The Water Department and Hetch Hetchy Project, as part of the City and County of San Francisco, participate in the City's compulsory retirement plan for all full-time employees. Pension costs, expensed currently, for 1979 and 1978 were approximately \$2,292,000 and \$2,862,500, respectively.

6 - Commitments and
Contingent Liabilities

- A - The City and County of San Francisco has filed suit against certain customers of Hetch Hetchy Project power at the San Francisco International Airport. The defendants in these cases purchase electric power from the City but refuse to pay the rate schedules adopted in 1975, 1976, and 1977 on the grounds that these rate schedules were not validly adopted. Following a preliminary ruling in favor of the City, certain defendants have appealed. The City, however, because of an injunction in another case, is presently charging these customers at pre July 1, 1975 rates. While the ultimate outcome of this litigation is not presently determinable, Hetch Hetchy Project has reduced 1978 revenues by \$1,645,000 to recognize the difference between the disputed rates and the 1975 rates charged in years prior to 1978.
- B - Major types of insurance risks are placed with independent insurance carriers, however, the Water Department and Hetch Hetchy Project act as self-insurers against losses from workmen's compensation claims and certain other liability and casualty losses. In the opinion of management and the City Attorney, the amount of self-insurance losses that might be sustained, if any, would not materially affect the Department's financial position or operations.

ACCOUNTANTS' REPORT ON SUPPLEMENTARY INFORMATION

Our examinations of the basic financial statements presented in the preceding section of this report were made primarily to form an opinion on such financial statements taken as a whole. Supplementary information, contained in the following pages, is not considered essential for the fair presentation of the financial position of the San Francisco Water Department and Hetch Hetchy Project, the results of their operations or the changes in their financial position in conformity with generally accepted accounting principles. However, the following data were subjected to the audit procedures applied in the examination of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Main Hudman & Cronston

Certified Public Accountants

San Francisco, California
January 21, 1980

CITY AND COUNTY OF SAN FRANCISCO
WATER DEPARTMENT AND HETCH HETCHY PROJECT

COMBINING BALANCE SHEET

June 30, 1979

ASSETS

Property, plant, and equipment:

Utility plant:

Water

Power

Joint

Other

Total utility plant

Accumulated depreciation

Construction in progress

Net property, plant, and equipment

Current assets:

Cash

Accounts receivable:

Water and power

Rentals, claims, and other

Allowance for doubtful accounts

Grants receivable

Reserve against grants

Interfund accounts receivable:

General City departments and funds

Public service departments

Materials and supplies

Investment - Don Pedro Project

Unbilled costs of deposits on work orders

for other City departments

Total current assets

<u>Combined</u>	<u>Eliminations</u>	<u>Water Department</u>	<u>Hetch Hetchy Project</u>
\$342,272,630	\$	\$248,854,304	\$ 93,418,326
86,195,335		-	86,195,335
103,795,367		-	103,795,367
<u>567,184</u>		<u>157,550</u>	<u>409,634</u>
532,830,516		249,011,854	283,818,662
<u>185,741,569</u>		<u>84,667,234</u>	<u>101,074,335</u>
347,088,947		164,344,620	182,744,327
<u>30,313,589</u>		<u>5,611,820</u>	<u>24,701,769</u>
377,402,536		169,956,440	207,446,096
46,374,086		20,753,117	25,620,969
10,902,429		3,432,085	7,470,344
<u>229,319</u>		<u>189,641</u>	<u>39,678</u>
11,131,748		3,621,726	7,510,022
<u>4,935,137</u>		<u>75,477</u>	<u>4,859,660</u>
6,196,611		3,546,249	2,650,362
18,737,317		-	18,737,317
<u>18,197,886</u>		<u>-</u>	<u>18,197,886</u>
539,431		-	539,431
10,621,081		8,767,762	1,853,319
74,483	601,802	118,285	558,600
1,157,686		1,081,566	76,120
470,154		-	470,154
<u>482,054</u>		<u>465,301</u>	<u>16,753</u>
65,915,586	601,802	34,732,280	31,785,108
<u>\$443,318,122</u>	<u>\$601,802</u>	<u>\$204,688,720</u>	<u>\$239,231,204</u>

CAPITALIZATION AND LIABILITIES

Net capital investment

Long-term debt

Total capitalization

Current liabilities:

Current portion of long-term debt

Accrued interest payable

Other accrued payables

Accounts payable

Accrued payroll

Retained percentages due contractors

Interfund payables:

General City departments and funds

Public service departments

Damage and claim liability

Total current liabilities

Commitments and contingent liabilities

Deposits and construction advances

<u>Combined</u>	<u>Eliminations</u>	<u>Water Department</u>	<u>Hetch Hetchy Project</u>
\$347,542,262	\$	\$154,547,464	\$192,994,798
<u>69,125,001</u>		<u>39,375,397</u>	<u>29,749,604</u>
416,667,263		193,922,861	222,744,402
			-
8,608,999		3,544,373	5,064,626
987,760		450,813	536,947
4,875,888		-	4,875,888
2,859,885		1,070,501	1,789,384
1,068,455		878,388	190,067
300,003		45,070	254,933
6,936,676		3,324,411	3,612,265
82,250	601,802	682,984	1,068
<u>195,000</u>		<u>170,000</u>	<u>25,000</u>
25,914,916	601,802	10,166,540	16,350,178
-		-	-
<u>735,943</u>		<u>599,319</u>	<u>136,624</u>
<u>\$443,318,122</u>	<u>\$601,802</u>	<u>\$204,688,720</u>	<u>\$239,231,204</u>

CITY AND COUNTY OF SAN FRANCISCO
WATER DEPARTMENT AND HETCH HETCHY PROJECT

COMBINING STATEMENT OF INCOME
AND NET CAPITAL INVESTMENT

Year Ended June 30, 1979

Operating revenues:

Water

Electricity

Total operating revenues

Operating expenses:

Purchased power and energy

Transmission and distribution

Operation and maintenance

Depreciation

Property taxes

Total operating expenses

Operating income

Other income:

Rental income and crops sales, net of expense

Interest

Other

Other expenses:

Interest expense

Operation of Municipal Railway overhead lines

Other

Net income

Net capital investment, beginning of year

Grants received in aid of construction

Contribution to general fund

Net capital investment, end of year

<u>Combined</u>	<u>Eliminations</u>	<u>Water Department</u>	<u>Hetch Hetchy Project</u>
\$ 35,153,901	\$7,150,000	\$ 35,153,901	\$ 7,150,000
<u>30,374,464</u>		<u>-</u>	<u>30,374,464</u>
65,528,365	7,150,000	35,153,901	37,524,464
4,158,554		7,150,000	4,158,554
7,005,086	7,150,000	4,039,345	2,965,741
20,359,666		14,283,187	6,076,479
8,252,648		4,125,485	4,127,163
<u>1,168,826</u>		<u>837,428</u>	<u>331,398</u>
40,944,780	<u>7,150,000</u>	<u>30,435,445</u>	<u>17,659,335</u>
24,583,585	-	4,718,456	19,865,129
894,504		894,504	-
284,755		284,755	-
974,903		750,086	224,817
2,315,085		1,008,946	1,306,139
1,035,672		-	1,035,672
<u>762,943</u>		<u>587,394</u>	<u>175,549</u>
22,624,047	-	5,051,461	17,572,586
326,876,275		149,496,003	177,380,272
4,108,940		-	4,108,940
6,067,000		-	6,067,000
<u>\$347,542,262</u>	<u>\$ -0-</u>	<u>\$154,547,464</u>	<u>\$192,994,798</u>

CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1979 AND 1978

WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Main Hurdman & Cranstoun



Main Hurdman & Cranstoun

certified public accountants



Suite 2500
Two Embarcadero Center
San Francisco, CA 94111
(415) 981-7720

The Honorable John C. Farrell, Controller
City and County of San Francisco
Port of San Francisco

We have examined the balance sheet of the Port of San Francisco, as of June 30, 1979 and 1978, and the related statements of operations, equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The land asset of the Port of San Francisco was increased in prior years by approximately \$56,000,000 to reflect appraised values of 1929. Under generally accepted accounting principles the excess of appraised value over stated cost should not be capitalized.

In our opinion, except for the effects of capitalizing the excess of appraised value over stated cost of land, as discussed in the preceding paragraph, such financial statements, present fairly the financial position of the Port of San Francisco at June 30, 1979 and 1978, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Main Hurdman & Cranstoun

November 26, 1979

JUNE 30, 1979 AND 1978

\$172,310.911	\$171,127,321
	<u>\$172,310,911</u>
	<u>\$171,127,321</u>

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CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

STATEMENT OF OPERATIONS

YEARS ENDED JUNE 30, 1979 AND 1978

	1979	1978
Operating revenues		
Property rentals	\$ 9,561,337	\$10,706,432
Wharfage, dockage and demurrage	6,048,508	4,023,379
Commercial power	1,494,952	1,777,577
Interest income	1,131,269	849,543
Other	<u>1,107,363</u>	<u>1,463,746</u>
	<u>19,343,429</u>	<u>18,820,680</u>
Operating expenses		
Interest expense	3,994,363	4,102,199
Maintenance	4,682,157	4,337,997
Depreciation and amortization	2,967,167	3,018,519
Operations	3,072,250	4,547,314
Commercial power	1,155,486	1,363,748
Fire boat operations	694,516	468,257
Insurance	<u>764,326</u>	<u>790,536</u>
	<u>17,330,265</u>	<u>18,628,570</u>
Operating income	2,013,164	192,107
Non-operating income		
Fire insurance proceeds (Note 3)	<u>217,610</u>	<u>-</u>
Net income	<u>\$ 2,230,774</u>	<u>\$ 192,107</u>

The accompanying notes are an integral part of these financial statements.

CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
STATEMENT OF EQUITY
YEARS ENDED JUNE 30, 1979 AND 1978

	<u>Total Equity</u>	<u>Accumulated Earnings</u>	<u>Contributions in aid of Construction</u>	<u>Revaluation of Property</u>
Balance, July 1, 1977	\$86,034,711	\$20,884,161	\$ 9,087,348	\$56,063,202
Net income as pre- viously reported	1,300,516	1,300,516		
Restatement for federal aid (Note 2)		(1,108,409)	1,108,409	
Additions to contribu- tions in aid of construction	<u>48,884</u>	<u> </u>	<u>48,884</u>	<u> </u>
Balance at June 30, 1978 as restated	87,384,111	21,076,268	10,244,641	56,063,202
Net income	2,230,774	2,230,774		
Federal aid	1,418,706		1,418,706	
Additions to contribu- tions in aid of construction	<u>47,391</u>	<u> </u>	<u>47,391</u>	<u> </u>
Balance, June 30, 1979	<u>\$91,080,982</u>	<u>\$23,307,042</u>	<u>\$11,710,738</u>	<u>\$56,063,202</u>

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEARS ENDED JUNE 30, 1979 AND 1978

	1979	1978
Working capital provided from		
Net income	\$2,230,774	\$ 192,107
Add charges not affecting working capital		
Depreciation and amortization	<u>2,967,167</u>	<u>3,018,519</u>
Working capital provided from operations	5,197,941	3,210,626
Decrease in restricted assets	2,639,632	496,552
Additions to contributions in aid of construction	47,391	48,884
Decrease in deposits	-	577,325
Federal aid	<u>1,418,706</u>	<u>1,108,409</u>
Total working capital provided	<u>9,303,670</u>	<u>5,441,796</u>
Working capital used for		
Retirement of long-term debt	3,489,000	3,529,000
Additions to facilities, property and equipment	3,836,954	2,492,257
Decrease in lease deposits and customer advances	-	238,614
Increase in deposits	<u>203,743</u>	<u>-</u>
Total working capital used	<u>7,529,697</u>	<u>6,259,871</u>
Increase (decrease) in working capital	<u>\$1,773,973</u>	<u>\$ (818,075)</u>
Changes in working capital		
Increase (decrease) in current assets		
Cash	\$3,004,185	\$ (818,707)
Accounts receivable	(344,811)	1,369,506
Materials and supplies	95,401	(95,462)
Prepaid insurance	(5,409)	(10,936)
	<u>2,749,366</u>	<u>444,401</u>
(Increase) decrease in current liabilities		
Accrued expenses	(1,076,971)	133,011
Payable to the City and County of San Francisco	61,534	(635,217)
Deferred income	(20,894)	51,792
Bond interest payable	20,938	12,938
Current portion of long-term debt	40,000	(825,000)
	<u>(975,393)</u>	<u>(1,262,476)</u>
Increase (decrease) in working capital	<u>\$1,773,973</u>	<u>\$ (818,075)</u>

The accompanying notes are an integral part of these financial statements.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1979 AND 1978

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and method of accounting - Prior to February 7, 1969, the Port of San Francisco ("Port") was owned by the State of California. On February 7, 1969, the Port was transferred to the City and County of San Francisco ("City") under the terms and conditions specified in the State of California statutes of 1968, Chapter 1333, as amended, and as ratified by the general election of the City and County of San Francisco on November 5, 1968.

The Port is an enterprise fund of the City. All the accounts of the Port are maintained on the accrual basis.

Revenue recognition - Lease revenue from the rental of building spaces, ground areas and facilities is accounted for under the "operating method". Under this method, lease revenue is earned as it becomes due over the term of the lease, and the related expenses including depreciation and maintenance are included in operating expense as incurred.

Materials and supplies - Materials and supplies are used for construction or maintenance of Port facilities and are stated at cost (principally average cost).

Facilities, property and equipment - Facilities, property and equipment are stated at cost except that the land asset was increased in prior years by approximately \$56,000,000 to reflect appraised values of 1929. Depreciation is provided on the straight-line method based upon the estimated useful lives of the related depreciable assets.

Maintenance, repairs and minor replacements are expensed as incurred. Expenditures for major replacements and improvements resulting in increased value or extension of useful lives are capitalized, unless such costs are reimbursed by tenants. The cost of the improvements and related reimbursement are deferred until completed, at which time the costs and related revenue are recognized in the statement of operations.

The cost and related accumulated depreciation of assets retired or otherwise disposed of are eliminated from the accounts in the year of retirement or disposal with the resulting gain or loss, if any, included in current operations.

Depreciation applicable to facilities and equipment acquired through donations is charged against current operations. Upon completion of construction on those facilities financed by grant funds, the related depreciation will be charged directly against contributions in aid of construction.

The cost of acquisition and construction of major facilities and equipment is recorded in construction in progress. As facilities are completed and become operative they are transferred to the facilities and equipment accounts.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1979 AND 1978

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest expense - Interest expense incurred during the construction period on major construction projects funded by revenue bond proceeds has been capitalized and is being amortized over forty years. All other interest costs are charged against current operations. No interest was capitalized during 1979 or 1978.

Restricted assets - Investments included in restricted assets are stated at the lower of cost or market, less amortization of bond premiums or discounts.

Investment of funds deposited for capital outlay are made by the City on behalf of the Port. Investment of funds deposited for bond interest and redemption is made by the fiscal agent for the Port.

Reclassification - Certain reclassifications have been made to 1978 financial statements to conform to the 1979 presentation.

2. RESTATEMENTS OF PRIOR YEAR'S FINANCIAL STATEMENTS

Fiscal year 1978 has been restated to correct prior reporting of federal aid. To the extent that such aid is used for capital projects, it is reported as additional contributions in aid of construction. This restatement has resulted in a reduction of net income for the year ended June 30, 1978, in the amount of \$1,108,409 and an increase in contributions in aid of construction in the same amount. This restatement also resulted in a reclassification of \$179,109 from non-operating income to other operating revenues for the year ended June 30, 1978.

3. FIRE INSURANCE PROCEEDS

On August 7, 1978, Pier 40 was destroyed by fire. The Port has received insurance proceeds amounting to \$217,610 in partial settlement of the loss. An additional \$194,307 may be received if the Port reconstructs the bulkhead building at a cost of not less than \$388,614.

Under the terms of the revenue bond covenants, the insurance proceeds may be used for reconstruction of the property or for construction of other related property. If the proceeds are not used for these purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231.

At June 30, 1978, the Port had taken no action with respect to the use of the insurance proceeds and has included them in the capital outlay fund.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1979 AND 1978

4. FACILITIES, PROPERTY AND EQUIPMENT

At June 30, 1979 and 1978, facilities, property and equipment, less accumulated depreciation and amortization, consisted of the following:

	<u>1979</u>	<u>1978</u>	<u>Estimated useful life (years)</u>
Land	\$100,729,521	\$ 99,277,236	
Buildings, structures and improvements	110,439,053	107,588,080	15-50
Equipment	<u>2,751,077</u>	<u>2,714,916</u>	5-40
	213,919,651	209,580,232	
Less depreciation and amortization	<u>59,725,450</u>	<u>56,409,944</u>	
	154,194,201	153,170,288	
Construction work in progress	<u>3,035,694</u>	<u>3,189,494</u>	
	<u>\$157,229,895</u>	<u>\$156,359,782</u>	

The revenue bonds are secured by a lien on the net revenues of the Port, as defined, and are subordinated to the lien of the holders of outstanding general obligation bonds of the State of California and are on a parity with any future revenue bonds issued. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds issued.

The revenue bonds of the Port provide, among other covenants, that net revenues, as defined, be sufficient to equal 1.3 times the debt service requirements of revenue bonds for the ensuing twelve months. At June 30, 1979 and 1978, the Port complied with this provision.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1979 AND 1978

5. BONDED DEBT

Bonded debt consisted of the following:

	Year Last Series Matures	Interest Rates	Original Amount	Balance at June 30,		
				1979		Long-term
				Current	Long-term	
General obligation bonds:						
State of California:						
India Basin 1909	1985	4%	\$ 853,000	\$ 14,000	\$ 59,000	\$ 73,000
Second Seawall 1909	1985	4%	9,000,000	115,000	557,000	672,000
Third Seawall 1913	1989	4%	9,450,000	135,000	1,185,000	1,320,000
Fourth Seawall 1929, Series A to G	1983	1.5 - 3.25%	10,000,000	165,000	245,000	410,000
Fifth Seawall 1958, A, B, F and H	1998	1.0 - 5.5%	50,000,000	2,010,000	24,645,000	26,655,000
City and County of San Francisco -						
Harbor Improvement 1971:						
Series A	2003	4.5 - 6.0%	20,000,000	800,000	18,400,000	19,200,000
Series B	2005	5.4 - 6.75%	10,000,000	-	10,000,000	10,000,000
Total general obligation bonds			109,303,000	3,239,000	55,091,000	58,330,000
Revenue bonds:						
Series A 1969	1999	1.0 - 8.5%	11,000,000	100,000	10,100,000	10,200,000
Series B 1971	2001	5.25 - 6.75%	9,000,000	150,000	8,025,000	8,175,000
Total revenue bonds			20,000,000	250,000	18,125,000	18,375,000
			\$129,303,000	\$3,489,000	\$73,216,000	\$76,705,000
					\$3,529,000	

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1979 AND 1978

5. BONDED DEBT (Continued)

The bonds mature as follows:

Year ended June 30,	State of California	City and County of San Francisco	Revenue Bonds	Total
1980	\$ 2,439,000	\$ 800,000	\$ 250,000	\$ 3,489,000
1981	2,439,000	1,200,000	275,000	3,914,000
1982	2,314,000	1,200,000	375,000	3,889,000
1983	2,314,000	1,200,000	400,000	3,914,000
1984	1,899,000	1,200,000	400,000	3,499,000
1985-1980	8,920,000	6,000,000	2,925,000	17,845,000
Remainder	<u>8,805,000</u>	<u>17,600,000</u>	<u>13,750,000</u>	<u>40,155,000</u>
	<u>\$29,130,000</u>	<u>\$29,200,000</u>	<u>\$18,375,000</u>	<u>\$76,705,000</u>

6. PENSION PLANS

The Port participates in the State of California Public Employees' Retirement System (PERS), the City and County of San Francisco Employees' Retirement System (ERS), and the Railroad Retirement Act. These plans are contributory plans providing retirement, disability and death benefits for substantially all salaried employees. Pension plan costs, including amortization of prior service costs over periods ranging from 10 to 20 years, are charged to expense and funded annually. The excess, if any, of actuarially computed vested benefits over the various pension fund assets is not available.

In May 1976, PERS asserted that, as a result of the depooling of Port employees, the Port was required to fund approximately \$2,300,000 of prior service costs and additional normal costs over some future period. The total amount to be funded was based upon an actuarial study conducted in 1975. This additional unfunded liability has subsequently been reviewed by an independent actuary, engaged by the Port, and determined to be appropriate based on current information and the actuarial assumptions used by PERS. The Port has elected to fund this liability over a 20 year period. Additionally, the Port's contribution rate increased from 9.37% to 10.37% of covered employees compensation, effective July 1, 1977 and to 14.29% effective July 1, 1978.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1979 AND 1978

6. PENSION PLANS (Continued)

The latest actuarial valuation of the ERS plan was made as of June 30, 1976. For the year then ended the independent accountant's report on examination of the plan's financial statements was qualified with respect to the ultimate recovery of the carrying value of stock investments of the plan.

The total pension expense for 1979 and 1978 was \$751,923 and \$805,480, respectively.

7. TRANSACTIONS WITH MAJOR TENANTS

During the year ended June 30, 1978, the Port has included operating revenues of approximately \$2,800,000 from a major maritime tenant which was adjudicated a bankrupt in August 1978. At June 30, 1979 and 1978 accounts receivable approximated \$2,000,000 from this major tenant has been fully reserved which was charged to operating expenses in 1978.

During the year ended June 30, 1979, the Port has included operating revenues of approximately \$750,000 from another maritime tenant which was adjudicated a bankrupt in December 1978. At June 30, 1979, outstanding accounts receivable from this tenant approximated \$260,000 which has been fully reserved by a charge to operating expenses.

8. COMMITMENTS AND CONTINGENT LIABILITIES

The Port is presently negotiating various development projects which may commit the Port to expend significant capital funds, should negotiations prove successful. In addition to the use of existing capital outlay funds, the Port may seek additional financing or refinancing to meet these commitments.

Under a Management Advisory Contract signed in December 1973, the Port transferred the belt railroad operations to Port Railroad, Inc. The terms of this agreement require Port Railroad, Inc. to operate the railroad for a period of twenty years. The contract is cancellable by Port Railroad, Inc. after December 1978, upon nine months' prior written notice.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1979 AND 1978

8. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The Port is a defendant in thirty-one lawsuits; most of these deal with personal injury or property damage as a result of fire, and are adequately covered by insurance. A substantial number of these lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of that litigation. In the opinion of counsel, the likelihood of an unfavorable outcome is probable in some of these suits and pursuant to Statement No. 5 of the Financial Accounting Standards Board a charge to operating expenses has been provided for the amount of the deductible under the applicable insurance policy for the year ended June 30, 1979.

SAN FRANCISCO WASTEWATER PROGRAM FUND GROUP
(A Public Service Enterprise Fund of
the City and County of San Francisco)

REPORT ON EXAMINATIONS OF FINANCIAL STATEMENTS
for the years ended June 30, 1979 and 1978

COOPERS & LYBRAND
CERTIFIED PUBLIC ACCOUNTANTS

COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

IN PRINCIPAL ARE
OF THE WORLD

Honorable Board of Supervisors
City and County of San Francisco:

We have examined the balance sheets of the San Francisco Wastewater Program Fund Group (the Enterprise), a public service enterprise fund of the City and County of San Francisco, as of June 30, 1979 and 1978 and the related statements of revenues, expenses and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 7 to the financial statements, the Enterprise may not be able to obtain sufficient funding to complete its mandated construction program. However, in the opinion of Enterprise management, the facilities presently under construction will operate, with minor changes, as planned.

In our opinion, the aforementioned financial statements present fairly the financial position of the Enterprise at June 30, 1979 and 1978 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.



San Francisco, California
May 1, 1980

SAN FRANCISCO WASTEWATER PROGRAM FUND GROUP
(a public service enterprise fund of the City and County of San Francisco)

BALANCE SHEETS, June 30, 1979 and 1978

ASSETS	1979	1978
Restricted current assets:		
Accounts receivable from customers, less allowance for uncollectible accounts of \$154,000 and \$87,000 for 1979 and 1978, respectively	\$ 6,111,345	\$ 5,306,973
General obligation bond funds (Note 5)	23,442,462	41,328,941
San Francisco Sewer Revenue Bond funds (Note 2)	76,480,386	56,201,271
Grant payments receivable (Note 1):		
Billed	9,951,692	2,274,614
Unbilled	23,019,883	21,180,532
Total restricted current assets	<u>139,005,768</u>	<u>126,292,331</u>
Property, plant and equipment (Note 1):		
Treatment plants and equipment	36,931,275	36,878,101
Sewer lines	171,841,612	170,875,698
Land and rights of way	12,674,086	9,688,009
Construction in progress	175,779,337	90,181,360
	<u>397,226,310</u>	<u>307,623,168</u>
Less accumulated depreciation	87,715,744	85,008,080
Total property, plant and equipment	<u>309,510,566</u>	<u>222,615,088</u>
Unamortized Revenue Bond issue costs	<u>103,242</u>	<u>108,773</u>
	<u>\$448,619,576</u>	<u>\$349,016,192</u>
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Unearned revenue	306,711	277,705
Due to City and County of San Francisco	-	3,842,274
Current portion of City and County of San Francisco general obligation bonds (Note 4)	6,773,000	4,890,000
Current portion of San Francisco Sewer Revenue Bonds (Note 3)	1,535,000	-
Accrued interest	3,346,849	3,407,171
Construction contracts payable	18,730,427	9,932,994
Total current liabilities	<u>30,691,987</u>	<u>22,350,144</u>
Accumulated vacation and sick leave (Note 6)	<u>1,612,000</u>	<u>1,403,000</u>
City and County of San Francisco general obligation bonds, less current portion (Note 4)	<u>87,185,000</u>	<u>93,958,000</u>
San Francisco Sewer Revenue Bonds, less current portion (Note 3)	<u>53,465,000</u>	<u>55,000,000</u>
Commitments and contingencies (Note 7).		
Fund equity:		
Contributed capital:		
Federal capital grants (Note 1)	134,356,176	67,585,120
State capital grants (Note 1)	21,989,964	10,889,261
Contribution of the City and County of San Francisco (Note 1)	<u>91,249,081</u>	<u>91,249,781</u>
	<u>247,595,221</u>	<u>169,723,462</u>
Retained earnings, beginning July 1, 1977	28,070,368	6,581,586
	<u>275,665,589</u>	<u>176,305,048</u>
	<u>\$448,619,576</u>	<u>\$349,016,192</u>

The accompanying notes are an integral part of the financial statements.

SAN FRANCISCO WASTEWATER PROGRAM FUND GROUP
(a public service enterprise fund of
the City and County of San Francisco)

STATEMENTS OF REVENUES, EXPENSES AND RETAINED EARNINGS (NOTE 2)
for the years ended June 30, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Sewer service charges and other operating revenue	<u>\$33,413,891</u>	<u>\$24,082,801</u>
Operating expenses:		
Salaries and wages	6,251,123	5,152,873
Fringe benefits	1,211,807	1,136,354
Contracted services	1,457,475	1,281,213
Materials and supplies	1,852,457	1,839,862
Depreciation	2,707,664	2,690,198
Other	<u>670,789</u>	<u>343,588</u>
	<u>14,151,315</u>	<u>12,444,088</u>
Operating income	<u>19,262,576</u>	<u>11,638,713</u>
Nonoperating income (expense):		
Interest income (Note 5)	10,512,344	1,382,403
Interest expense	<u>(8,286,138)</u>	<u>(6,439,530)</u>
	<u>2,226,206</u>	<u>(5,057,127)</u>
Net income	21,488,782	6,581,586
Retained earnings, beginning of year	<u>6,581,586</u>	<u>-</u>
Retained earnings, end of year	<u>\$28,070,368</u>	<u>\$ 6,581,586</u>

The accompanying notes are an integral
part of the financial statements.

SAN FRANCISCO WASTEWATER PROGRAM FUND GROUP
(a public service enterprise fund of the City and County of San Francisco)
STATEMENTS OF CHANGES IN FINANCIAL POSITION
for the years ended June 30, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Funds acquired concurrent with inception of the Enterprise	<u>-</u>	<u>\$ 65,854,190</u>
Funds generated:		
Operations:		
Net income	\$ 21,488,782	6,581,586
Add (deduct) items not requiring or generating cash:		
Depreciation	2,707,664	2,690,198
Allowance for uncollectible accounts	149,115	121,753
Amortization of bond issue costs	5,531	1,843
Increase in accounts receivable	(953,487)	(4,475,446)
(Decrease) increase in accrued interest payable	(60,322)	1,247,562
Increase in accumulated vacation and sick leave	209,000	157,000
Increase (decrease) in unearned revenue	29,006	(1,883)
Funds provided by operations	<u>23,575,289</u>	<u>6,322,613</u>
Proceeds from sale of San Francisco Sewer Revenue Bonds, Series A	<u>-</u>	<u>55,000,000</u>
Federal and state capital grants	<u>68,355,330</u>	<u>23,970,927</u>
Funds acquired and generated	<u>91,930,619</u>	<u>151,147,730</u>
Funds applied:		
Acquisition of property, plant and equipment	89,603,142	59,552,208
Less increase in contracts payable	<u>(8,797,433)</u>	<u>(7,208,032)</u>
	80,805,709	52,344,176
Payment of City and County of San Francisco general obligation bonds	4,890,000	5,005,000
San Francisco Sewer Revenue Bond issue cost	<u>-</u>	<u>110,616</u>
Funds applied	<u>85,695,709</u>	<u>57,459,792</u>
Increase in cash and cash equivalents	<u>\$ 6,234,910</u>	<u>\$ 93,687,938</u>
Change in cash and cash equivalents by component:		
General obligation bond funds	(17,886,479)	41,328,941
San Francisco Sewer Revenue Bond funds	20,279,115	56,201,271
Due to the City and County of San Francisco	<u>3,842,274</u>	<u>(3,842,274)</u>
	<u>\$ 6,234,910</u>	<u>\$ 93,687,938</u>

The accompanying notes are an integral part of the financial statements.

SAN FRANCISCO WASTEWATER PROGRAM FUND GROUP
(A public service enterprise fund of
the City and County of San Francisco)

NOTES TO FINANCIAL STATEMENTS

1. Organization and Basis of Presentation and Summary
of Significant Accounting Policies:

Organization and Basis of Presentation:

In 1976, the electorate of the City and County of San Francisco (the City) approved a proposition authorizing the City to issue \$240,000,000 principal amount of revenue bonds pursuant to the Revenue Bond Law of 1941 of the State of California for the purpose of acquiring, constructing, improving and financing improvements to the City's municipal sewage treatment and disposal system. On December 12, 1977, the Board of Supervisors of the City adopted Resolution 973-77 (the Resolution) providing for the issuance of \$55,000,000 principal amount of Sewer Revenue Bonds of 1976, Series A. The bonds are dated February 1, 1978. The Resolution requires the City to keep separate books of record and accounts of the enterprise, defined in the Resolution as the whole of the municipal sewage treatment and disposal system. The financial statements of the San Francisco Wastewater Program Fund Group (the Enterprise) have been prepared on the basis that all sewage system related assets and liabilities of the City were transferred to the Enterprise effective July 1, 1977, the first day of the fiscal year in which the Series A bonds were issued.

The following is a summary of the contribution of the City to the Enterprise:

General obligation bond funds	\$ 70,211,468
Less amount due to City and County of San Francisco	<u>(4,357,278)</u>
Funds acquired	65,854,190
Accounts receivable	953,280
Property, plant and equipment, at appraisal value or cost	\$165,753,078
Less capital grants, federal and state	<u>(31,048,308)</u>
	134,704,770
Current liabilities	(5,164,159)
Accumulated vacation and sick leave	(1,246,000)
City and County of San Francisco general obligation bonds	<u>(103,853,000)</u>
	<u>\$ 91,249,081</u>

Continued

SAN FRANCISCO WASTEWATER PROGRAM FUND GROUP
(A public service enterprise fund of
the City and County of San Francisco)
NOTES TO FINANCIAL STATEMENTS, Continued

1. Organization and Basis of Presentation and Summary
of Significant Accounting Policies, continued:

Summary of Significant Accounting Policies:

Accounting Basis:

The financial statements are prepared on the accrual basis.

Sewer Fee Revenue:

Sewer service charges are based on water usage as determined by the San Francisco Water Department. Billings are on a monthly or bi-monthly basis. Revenues reflected in the financial statements include accruals, based on estimates, for the periods between the termination of the billing cycle and the end of the fiscal year. Rates must be sufficient to fund the obligations of the Enterprise as defined in Resolution 973-77, including costs for operation, maintenance, renewal and replacements, and to comply with federal and state laws and regulations. In addition, City Ordinance No. 198-77 requires that rates be recommended annually at a rate sufficient to pay debt service on general obligation sewer bonds.

Capital Grants:

Funding for the property, plant and equipment of the Enterprise has been provided primarily from capital grants by the Environmental Protection Agency of the United States (EPA) and the California State Water Resources Control Board (SWRCB). When eligible costs are incurred, a corresponding grant payment receivable is recognized, less an allowance for costs that may be ruled ineligible. All grant funds are recognized as contributed capital in the financial statements.

Contribution of the City and County of San Francisco:

The net book value of all assets and liabilities, including liability under sewerage-related general obligation bonds, relating to the sewerage system transferred from the City to the Enterprise are reflected as contributed capital in the financial statements.

Continued

SAN FRANCISCO WASTEWATER PROGRAM FUND GROUP
(A public service enterprise fund of
the City and County of San Francisco)
NOTES TO FINANCIAL STATEMENTS, Continued

1. Organization and Basis of Presentation and Summary
of Significant Accounting Policies, continued:

Property, Plant and Equipment:

Property, plant and equipment with an original acquisition date prior to July 1, 1977 are recorded in the financial statements at estimated cost as determined by an independent professional appraisal, conducted by Marshall and Stevens Incorporated and dated October 17, 1979, or at cost if known. All acquisitions since that date have been recorded at cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Construction in Progress:

The cost of acquisition and construction of major plant and equipment is recorded as construction in progress. As facilities are completed and become operative, they are transferred to the plant and equipment accounts.

Vacation and Sick Leave:

Vacation and sick leave are charged to expense as earned.

Amortization of Revenue Bond Issue Costs:

Revenue bond issue costs are amortized over the term of the related bonds on the straight-line method.

Interest Expenses:

All interest incurred is charged to expenses.

2. Revenue Bond Funds:

The revenue of the Enterprise as defined in the Resolution is pledged to the payment of principal and interest of the San Francisco Sewer Revenue Bonds of 1976, Series A. In accordance with the provisions of the Resolution, the following restricted funds have been established:

Continued

SAN FRANCISCO WASTEWATER PROGRAM FUND GROUP
(A public service enterprise fund of
the City and County of San Francisco)
NOTES TO FINANCIAL STATEMENTS, Continued

2. Revenue Bond Funds, continued:

Interest Fund - requires periodic contributions aggregating an amount equal to interest due on revenue bonds within six months of August 1 and February 1 of each fiscal year, beginning August 1, 1978.

Reserve Fund - requires an amount equal to the maximum annual debt service of the revenue bonds outstanding at any time.

Construction Fund - after providing for the initial requirements of the Interest and Reserve Funds, the remaining net proceeds from the sale of the revenue bonds are maintained in this fund. These moneys shall be used for the acquisition, construction, improvement and financing of the improvements to the Enterprise.

Retirement Fund - requires periodic contributions aggregating an amount equal to the principal of all bonds maturing within twelve months of each August 1, beginning August 1, 1978.

Maintenance and Operations Fund - is used for payment of annual budgeted operating expenses. No revolving balance is maintained in this fund. Any year-end surplus is credited to the Surplus Revenue Fund.

Repair and Replacement Fund - after providing for the above funds and beginning in the fiscal year in which the Southeast Water Pollution Control Plant expansion is completed, now estimated for 1982, the Enterprise shall deposit all remaining revenues, up to a maximum of \$3,800,000, in this fund. These moneys shall be used to pay the costs of replacements, renewals and repairs of facilities of the Enterprise. Deposits into this fund were not required in the period covered by the financial statements.

Surplus Revenue Fund - after providing for the requirements of the above funds, any remaining revenues are accounted for in this Fund. These moneys are available for various purposes as established in the resolution, including payment of principal and interest of the general obligation bonds of the City related to sewer facilities. As permitted by the Resolution, the surplus available on June 30, 1978 was appropriated to service general obligation sewer bonds payable in the year then ended.

Continued

SAN FRANCISCO WASTEWATER PROGRAM FUND GROUP
(A public service enterprise fund of
the City and County of San Francisco)
NOTES TO FINANCIAL STATEMENTS, Continued

2. Revenue Bond Funds, continued:

The components of the revenue bond funds at June 30, 1979 and 1978 are as follows:

	<u>1979</u>	<u>1978</u>
Interest Fund:		
Certificates of deposit	\$ 1,478,245	\$ 1,569,002
Short-term investments	94,293	-
Accrued interest receivable	<u>37,301</u>	<u>37,257</u>
	<u>\$ 1,609,839</u>	<u>\$ 1,606,259</u>
Reserve Fund:		
Equity in City Treasurer's cash and investments	2,097	-
Certificates of deposit	2,351,209	2,176,294
Short-term investments	2,714,283	2,500,000
Accrued interest receivable	<u>287,077</u>	<u>117,738</u>
	<u>\$ 5,354,666</u>	<u>\$ 4,794,032</u>
Construction Fund:		
Equity in City Treasurer's cash and investments	13,267,542	554,057
Certificates of deposit	25,000,000	13,700,000
Short-term investments	14,996,875	34,996,094
Accrued interest receivable	<u>309,204</u>	<u>550,829</u>
	<u>\$53,573,621</u>	<u>\$49,800,980</u>
Retirement Fund:		
Certificates of deposit	1,535,000	-
Accrued interest receivable	<u>77,862</u>	<u>-</u>
	<u>\$ 1,612,862</u>	<u>-</u>
Maintenance and Operations Fund	<u>-</u>	<u>-</u>
Repair and Replacement Fund	<u>-</u>	<u>-</u>
Funds Appropriated for General Obligation Bond Service (Surplus Revenue Fund):		
Equity in City Treasurer's cash and investments	<u>\$14,329,398</u>	<u>-</u>
Total - all Revenue Bond Funds	<u>\$76,480,386</u>	<u>\$56,201,271</u>

Continued

SAN FRANCISCO WASTEWATER PROGRAM FUND GROUP
(A public service enterprise fund of
the City and County of San Francisco)

NOTES TO FINANCIAL STATEMENTS, Continued

3. Revenue Bonds Payable:

As discussed in Note 1, the San Francisco Sewer Revenue Bonds, Series A, were sold in February 1978 for the principal amount of \$55,000,000 at interest rates ranging from 5% to 6.5%. The principal and interest of these bonds are payable solely from the revenues of the Enterprise, as defined in the Resolution pertaining to the issuance of the bonds.

4. City and County of San Francisco -
General Obligation Bonds:

Pursuant to City policy, the Enterprise is obligated to pay the principal and interest of general obligation bonds of the City that relate to sewerage and water pollution control. If the Enterprise's revenues are not sufficient to make these payments, the City must make the payments from other sources.

The following schedule summarizes the City's sewerage-related general obligation bonds as of June 30, 1979:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturing in Fiscal Year Ending</u>	
		<u>1980</u>	<u>1981-1998</u>
1954 Sewer, Series F	4.0-4.1%	\$ 20,000	\$ 60,000
1960 Sewer, Series B-D	3.0-4.5%	505,000	620,000
1964 Sewer, Series A-G	3.0-6.0%	1,108,000	4,855,000
1968 Sewage and Water Pollution Control, Series A-C	3.9-6.0%	1,295,000	8,750,000
1970 Water Pollution Control, Series A-D	3.6-6.0%	3,050,000	49,910,000
1972 Sewer System Improve- ment, Series A-C	5.0-6.0%	795,000	22,990,000
		<u>\$6,773,000</u>	<u>\$87,185,000</u>

Continued

SAN FRANCISCO WASTEWATER PROGRAM FUND GROUP
(A public service enterprise fund of
the City and County of San Francisco)
NOTES TO FINANCIAL STATEMENTS, Continued

5. General Obligation Bond Funds:

As discussed in Note 1, all proceeds from the sale of City general obligation bonds pertaining to sewerage and water pollution control have been transferred to the Enterprise. These funds are held and invested by the City Treasurer in a commingled account with other City funds. In prior years, interest earnings on these funds were credited to the City's General Fund. For the fiscal year ended 1979, the City allocated \$6,218,727 of interest income which has been included on the Enterprise's statement of revenues, expenses and retained earnings for the year ended June 30, 1979.

6. Employee Benefits:

Pension Plan:

Substantially all full-time employees of the Enterprise participate in the City's contributory defined benefit retirement plan. Pension costs included in the statements of revenue, expenses and retained earnings for the years ended June 30, 1979 and 1978 were approximately \$1,303,707 and \$765,269, respectively.

Vacation and Sick Leave:

The provisions for accumulated vacation and sick pay relate to amounts accrued by City employees transferred to the Enterprise prior to its inception as well as amounts accrued in the years ended June 30, 1979 and 1978.

7. Commitments and Contingencies:

Federal and State Capital Grants:

The Enterprise's construction program is funded by a combination of grants from the EPA and the SWRCB. Under the grant arrangement, the EPA should fund 75% of the cost of grant-eligible construction projects, the SWRCB should fund 12.5% of such costs and the remainder of construction costs should be funded by the Enterprise. The SWRCB generally

Continued

SAN FRANCISCO WASTEWATER PROGRAM FUND GROUP
(A public service enterprise fund of
the City and County of San Francisco)
NOTES TO FINANCIAL STATEMENTS, Continued

7. Commitments and Contingencies, continued:

Federal and State Capital Grants, continued:

approves the eligibility of costs under both its own grants and those of the EPA. As of January 31, 1980, approximately \$6.3 million of costs billed by the Enterprise have not been approved by the SWRCB. A reserve for Enterprise management's estimate of the amount of such unapproved costs that may ultimately be disallowed has been provided in the financial statements. The allowances for ineligible billed and unbilled grant payment receivables aggregated approximately \$2,104,000 and \$1,497,000, respectively, at June 30, 1979 and 1978. Management of the Enterprise, while acknowledging that a portion of costs billed do not meet the eligibility requirements of the grants, intends to vigorously pursue reimbursement for the major portion of these costs. In the opinion of management of the Enterprise, ultimate disallowances of capital grants recorded in the financial statements at June 30, 1979 and 1978 in excess of amounts provided as reserves for such disallowances would not have a material effect on the financial position of the Enterprise at the respective dates.

In addition, reimbursements of costs initially approved by the SWRCB are subject to final audit by audit agencies of both the SWRCB and the EPA. Ultimate disallowances, if any, resulting from these audits are not presently expected to be significant.

Construction Contractors' Claims:

Certain of the construction contractors engaged in the Enterprise's construction program have submitted claims for additional compensation based on contingencies and conditions which they consider not to have been reasonably anticipated at the time the contracts were awarded. Additional claims are expected to be submitted. In the opinion of Enterprise management, these claims will not be material to the financial position of the Enterprise.

Continued

SAN FRANCISCO WASTEWATER PROGRAM FUND GROUP
(A public service enterprise fund of
the City and County of San Francisco)
NOTES TO FINANCIAL STATEMENTS, Continued

7. Commitments and Contingencies, continued:

Construction Contractors' Claims, continued:

As of June 30, 1979, commitments under outstanding construction contracts aggregated \$121,300,000. Approximately 80% of this amount is presently anticipated to be reimbursable under federal and state capital grants.

Construction Commitments:

The present total estimated cost of the Enterprise's construction program is \$2.3 billion. The estimate is based on the program master plan budget, as revised, adjusted for budgets adopted as portions of the program have entered design and construction phases, and further adjusted to project future escalation at the rate of 1.25 percent per month from January 1980. The estimate is based on facilities planned to meet present requirements of the EPA and the SWRCB as to the treatment of both wet and dry weather sewage. Based upon a probable shortfall of federal, state and City funds, enterprise management is developing a contingency plan which would change the scope of the project to reduce discharge standards, increase the number of allowed wet weather overflows or delay the achievement of treatment standards presently contemplated in order to reduce the total cost of the program. However, it is not possible to determine if such scope changes will be approved by the EPA or the SWRCB. Enterprise management pursues a policy of constructing improvements in stages which can be brought into operation and beneficial use within the confines of currently available funding.

Construction Funding:

The construction funds presently available, together with the proceeds from authorized but as yet unissued revenue bonds, are not sufficient to fund the City's portion of the present estimated total construction cost of \$2.3 billion as discussed above. If Enterprise management is not successful in its proposals to reduce the scope of the project, as discussed above, the City will have to obtain additional funding, estimated from \$70 million to \$110 million, to complete the project as presently contemplated. Otherwise, the Enterprise may be subject to the range of remedies

Continued

SAN FRANCISCO WASTEWATER PROGRAM FUND GROUP
(A public service enterprise fund of
the City and County of San Francisco)
NOTES TO FINANCIAL STATEMENTS, Continued

7. Commitments and Contingencies, continued:

Construction Funding, continued:

available to the EPA and the SWRCB through federal and state courts, including fines based upon violations of federal and state clean water laws for each day such violations exist.

A minority of the Board of Supervisors of the City has directed a measure to appear on the ballot for the June 3, 1980 City election which, if passed by the voters, would prevent the City from selling the presently authorized but unissued revenue bonds of \$185,000,000, thereby further impeding the City's ability to meet its share of the Enterprise's construction program cost. The Regional Water Quality Control Board has notified the Enterprise that it will conduct an enforcement hearing on May 21, 1980 to consider action against the City as a result of this ballot measure and alleged noncompliance with SWRCB permits and directives. Enforcement options available to the Regional Board include fines, injunctive relief, court-ordered time schedules, a sewer connection ban and other legal remedies.

The federal government, as part of its recently adopted anti-inflation program, has frozen funds available to fund the Enterprise's construction program and has indicated that future appropriations may be reduced. Also, management of the Enterprise is concerned that, at the present rate of inflation, funds available to the SWRCB from previously voted state bond issues may not be sufficient to fund its share of the program. In the opinion of management of the Enterprise, reductions of funding by the EPA and the SWRCB increase the probability that appropriate government authorities will permit a reduction in treatment and discharge standards below those which are currently mandated but still appropriate to the affected bay and ocean environments.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL DATA
for the year ended June 30, 1979

COOPERS & LYBRAND
CERTIFIED PUBLIC ACCOUNTANTS

COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

A MEMBER FIRM OF

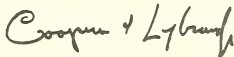
COOPERS & LYBRAND (INTERNATIONAL)

Board of Education
San Francisco Unified School District
San Francisco, California

We have examined the financial statements (identified as "basic financial statements" in the table of contents on the preceding page of this report) of the various funds and general fixed assets account group of the San Francisco Unified School District (the District) for the year ended June 30, 1979. Our examination was made in accordance with generally accepted auditing standards and the standards prescribed by the State of California Department of Finance and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 6 to the financial statements, it is not possible to estimate the effect of pending claims, lawsuits and other matters on the District's financial position.

In our opinion, subject to the outcome of the pending claims, lawsuits and other matters referred to in the preceding paragraph, the aforementioned financial statements present fairly the financial position of the various funds and the general fixed assets group of accounts of the San Francisco Unified School District at June 30, 1979 included herein, and the related revenues, expenditures, encumbrances and changes in fund balances for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change, with which we concur, in the method of revenue recognition for Special Revenue Funds as described in Note 2 to the financial statements.

A handwritten signature in dark ink, appearing to read "Coopers & Lybrand", is written in a cursive, stylized script.

San Francisco, California
November 2, 1979

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
COMBINED BALANCE SHEET, June 30, 1979

ASSETS	General Fund	Special Revenue Funds	Auxiliary Funds	Capital Outlay Fund	Trust Fund	General Fixed Assets
Cash (Note 1):						
In Treasury of City and County of San Francisco	\$ 1,007,079	\$(1,832,720)	\$ 730,844	\$(3,486,342)	\$117,918	
Revolving funds	<u>50,000</u>		<u>4,000</u>			
	<u>1,057,079</u>	<u>(1,832,720)</u>	<u>734,844</u>	<u>(3,486,342)</u>	<u>117,918</u>	
Receivables:						
Property taxes and other tax refunds due	5,424,082		171,464			
Less allowance for unsecured pro- perty taxes	<u>3,607,614</u>		<u>111,421</u>			
	1,816,468		60,043			
Federal and state programs (Note 1)		5,235,193	2,410,763			
Other	<u>619,956</u>					
	<u>2,436,424</u>	<u>5,235,193</u>	<u>2,470,806</u>			
Due from other funds	<u>1,121,054</u>	<u>21,794</u>	<u>5,541</u>			
Unreimbursed con- struction ex- penditures and encumbrances (Note 3)				<u>8,498,640</u>		
Inventories, at cost (Note 1)	<u>614,962</u>		<u>238,896</u>			
Investments (Note 1)					<u>58,000</u>	
Fixed assets (Note 1):						
Land						\$ 17,752,200
Building structures						239,665,812
Equipment, furni- ture and fixtures						<u>13,712,348</u>
						<u>271,130,360</u>
Amount to be provided for state build- ing loans	<u>18,002,384</u>					
Other assets	<u>50,794</u>	<u>1,547</u>				
Total assets	<u>\$23,282,697</u>	<u>\$ 3,425,814</u>	<u>\$3,450,087</u>	<u>\$ 5,012,298</u>	<u>\$175,918</u>	<u>\$271,130,360</u>

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
COMBINED BALANCE SHEET, June 30, 1979

LIABILITIES AND RESERVES AND FUND BALANCES	General Fund	Special Revenue Funds	Auxiliary Funds	Capital Outlay Fund	Trust Fund	General Fixed Assets
Liabilities:						
Due to other funds	\$ 15,376	\$ 1,121,054	\$ 9,626	\$ 2,166	\$ 167	
State building loans payable (Note 3)	18,002,384					
Unearned grant revenue (Notes 1 and 2)		1,002,753				
Other liabilities	<u>1,177,479</u>	<u>223,026</u>	<u>210,759</u>			
	<u>19,195,239</u>	<u>2,346,833</u>	<u>220,385</u>	<u>2,166</u>	<u>167</u>	
Commitments and contingencies (Notes 4 and 6).						
Reserves and Fund Balances:						
Reserves:						
Encumbrances	3,377,753	1,078,981	604,296	3,533,335	11,654	
Inventories	614,962		238,896			
Other	<u>292,926</u>		<u>5,304</u>		<u>58,000</u>	
	4,285,641	1,078,981	848,496	3,533,335	69,654	
Investment in fixed assets						\$271,130,360
Fund balances (deficit) (Notes 5 and 6):						
Restricted	2,037,895		2,381,206	1,476,797	106,097	
Unrestricted	<u>(2,236,078)</u>					
	<u>4,087,458</u>	<u>1,078,981</u>	<u>3,229,702</u>	<u>5,010,132</u>	<u>175,751</u>	<u>271,130,360</u>
Total liabilities and reserves and fund balances	<u>\$23,282,697</u>	<u>\$ 3,425,814</u>	<u>\$3,450,087</u>	<u>\$ 5,012,298</u>	<u>\$175,918</u>	<u>\$271,130,360</u>

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
AUXILIARY FUNDS
BALANCE SHEET, June 30, 1979

ASSETS	Total	Cafeteria Fund	Child Devel- opment Fund	Devel- opment Center for Handi- capped Pupils Fund	County School Service Fund
Cash (Note 1):					
In Treasury of City and					
County of San Francisco	\$ 730,844	\$ 74,625	\$260,617	\$296,081	\$ 99,521
Revolving funds	<u>4,000</u>	<u>4,000</u>			
	<u>734,844</u>	<u>78,625</u>	<u>260,617</u>	<u>296,081</u>	<u>99,521</u>
Receivables:					
Property taxes and other					
tax refunds due	171,464		159,497	10,506	1,461
Less allowance for					
unsecured property taxes	<u>111,421</u>		<u>103,051</u>	<u>8,370</u>	
	60,043		56,446	2,136	1,461
Federal and state programs					
(Note 1)	<u>2,410,763</u>	<u>2,237,648</u>	<u>173,115</u>		
	<u>2,470,806</u>	<u>2,237,648</u>	<u>229,561</u>	<u>2,136</u>	<u>1,461</u>
Due from other funds	<u>5,541</u>	<u>4,717</u>	<u>824</u>		
Inventories, at cost					
(Note 1)	<u>238,896</u>	<u>238,896</u>			
Total assets	<u>\$3,450,087</u>	<u>\$2,559,886</u>	<u>\$491,002</u>	<u>\$298,217</u>	<u>\$100,982</u>
LIABILITIES AND RESERVES AND FUND BALANCES					
Liabilities:					
Due to other funds	9,626	3,195	4,717	1,566	148
Other liabilities	<u>210,759</u>	<u>120,207</u>	<u>89,617</u>	<u>50</u>	<u>885</u>
	<u>220,385</u>	<u>123,402</u>	<u>94,334</u>	<u>1,616</u>	<u>1,033</u>
Commitments and contingencies					
(Notes 4 and 6).					
Reserves and Fund Balances:					
Reserves:					
Encumbrances	604,296	250,008	215,505	108,516	30,267
Inventories	238,896	238,896			
Other	<u>5,304</u>	<u>4,000</u>	<u>1,304</u>		
	848,496	492,904	216,809	108,516	30,267
Fund balances (Note 6) -					
restricted	<u>2,381,206</u>	<u>1,943,580</u>	<u>179,859</u>	<u>188,085</u>	<u>69,682</u>
	<u>3,229,702</u>	<u>2,436,484</u>	<u>396,668</u>	<u>296,601</u>	<u>99,949</u>
Total liabilities and reserves and fund balances	<u>\$3,450,087</u>	<u>\$2,559,886</u>	<u>\$491,002</u>	<u>\$298,217</u>	<u>\$100,982</u>

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES AND
CHANGES IN FUND BALANCE
for the year ended June 30, 1979

	General Fund		Special Revenue Funds	Auxiliary Funds	Capital Outlay Fund
	Total	Unrestricted	Restricted		
Revenues:					
Local property taxes	\$ 41,383,001	\$41,005,269	\$ 377,732	\$ 3,277,500	\$ 51,595
Federal programs	1,961,013	1,961,013		5,881,901	
State programs	74,267,027	74,238,984	28,043	10,535,691	1,267,038
Other, including construction reimbursement claims	2,461,356	2,461,356		2,313,119	
Total revenues	120,072,397	119,666,622	405,775	22,008,411	1,316,633
Expenditures and encumbrances:					
Certificated salaries	76,653,944	76,653,944		7,492,885	
Classified salaries	15,620,046	15,576,579	43,467	8,518,990	
Employee benefits	20,325,211	20,325,211		2,226,926	
Books, supplies and equipment replacement	2,871,667	2,765,923	105,744	1,639,574	
Contracted services and operating expenditures	14,068,420	13,145,563	922,857	1,248,262	
Capital outlays				3,093,718	11,383,032
Total expenditures and encumbrances	129,539,288	128,467,220	1,072,068	22,190,197	11,383,032
Other financing sources (uses):					
Operating transfers received	5,248,492	3,404,754	1,843,740		3,404,754
Operating transfers made	(5,248,492)	(1,843,738)	(3,404,754)		(3,404,754)
	-	1,561,014	(1,561,014)		-
Prior year expenditures and encumbrances	(3,580,930)	(3,200,684)	(380,246)	(735,984)	
Encumbrances, July 1, 1978	4,696,808	3,901,658	795,150	1,188,734	9,075,274
Net increase (decrease) in fund balance	(8,351,013)	(6,538,610)	(1,812,403)	42,701	(989,125)
Fund balance (deficit):					
June 30, 1978, as previously reported	8,152,830	4,302,532	3,850,298	2,338,505	2,465,922
Effect of change in accounting method (Note 2)				(3,288,356)	
June 30, 1978, as restated	8,152,830	4,302,532	3,850,298	-	2,465,922
June 30, 1979	\$ (198,183)	\$ (2,236,078)	\$ 2,037,895	\$ 2,381,206	\$ 1,476,797

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

AUXILIARY FUNDS

STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES AND CHANGES IN FUND BALANCE
for the year ended June 30, 1979

	<u>Total</u>	<u>Cafeteria Fund</u>	<u>Child Development Fund</u>	<u>Development Center for Handicapped Pupils Fund</u>	<u>County School Service Fund</u>
Revenues:					
Local property taxes	\$ 3,277,500		\$ 3,142,811	\$ 132,654	\$ 2,035
Federal programs	5,881,901	\$5,258,503	623,398		
State programs	10,535,891	381,358	8,956,194	929,996	268,343
Other	<u>2,317,119</u>	<u>1,445,886</u>	<u>218,608</u>		<u>648,625</u>
Total revenues	<u>22,008,411</u>	<u>7,085,747</u>	<u>12,941,011</u>	<u>1,062,650</u>	<u>919,003</u>
Expenditures and encumbrances:					
Certificated salaries	7,492,885		7,042,692	213,580	236,613
Classified salaries	5,986,108	2,875,510	2,931,139	151,819	27,640
Employee benefits	2,304,581	488,799	1,728,636	28,681	58,465
Books, supplies and equipment replacement	3,312,905	2,717,057	565,727	12,619	17,502
Contracted services and operating expenditures	<u>3,093,718</u>	<u>956,965</u>	<u>1,118,550</u>	<u>487,734</u>	<u>530,469</u>
Total expend- itures and encumbrances	<u>22,190,197</u>	<u>7,038,331</u>	<u>13,386,744</u>	<u>894,433</u>	<u>870,689</u>
Prior year expenditures and encumbrances	<u>(735,984)</u>	<u>(241,262)</u>	<u>(394,608)</u>	<u>(43,297)</u>	<u>(56,817)</u>
Encumbrances, July 1, 1978	<u>960,471</u>	<u>255,748</u>	<u>579,589</u>	<u>46,949</u>	<u>78,185</u>
Net increase (decrease) in fund balance	42,701	61,902	(260,752)	171,869	69,682
Fund balance:					
June 30, 1978	<u>2,338,505</u>	<u>1,881,678</u>	<u>440,611</u>	<u>16,216</u>	<u>-</u>
June 30, 1979	<u>\$ 2,381,206</u>	<u>\$1,943,580</u>	<u>\$ 179,859</u>	<u>\$ 188,085</u>	<u>\$ 69,682</u>

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
for the year ended June 30, 1979

	General Fund		
	Final Budget	Actual	Over (Under) Budget
Revenues:			
Local property taxes	\$ 41,919,747	\$41,383,001	\$ (536,746)
Federal programs	1,080,261	1,961,013	880,752
State programs	72,967,223	74,267,027	1,542,204
Other	2,258,000	2,461,356	203,356
Total revenues	118,225,231	120,072,397	\$2,089,566
Other budgetary resources, fund balances available	7,817,280		
	<u>\$126,042,511</u>		
Expenditures and encumbrances:			
Certificated salaries	76,094,236	76,653,944	559,708
Classified salaries	13,148,931	15,620,046	2,471,115
Employee benefits	19,195,991	20,325,211	1,129,220
Books, supplies and equip- ment replacement	2,883,007	2,871,667	(11,340)
Contracted services and operating expenditures	14,720,346	14,068,420	(651,926)
Total expenditures and encumbrances	<u>\$126,042,511</u>	129,539,288	\$3,496,777
Prior year expenditures and encumbrances		(3,580,930)	
Encumbrances, July 1, 1978		<u>4,696,808</u>	
Net increase (decrease) in fund balance		(8,351,013)	
Fund balance (deficit):			
June 30, 1978		<u>8,152,830</u>	
June 30, 1979		<u>\$ (198,183)*</u>	

*As discussed in Note 5, the deficit is comprised of a restricted balance of \$2,037,895 and an unrestricted deficit of \$(2,236,078).

The accompanying notes are an integral
part of these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
AUXILIARY FUNDS - BY FUND

STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
for the year ended June 30, 1979

	Cafeteria Fund			Child Development Fund		
	Final Budget	Actual	Over (Under) Budget	Final Budget	Actual	Over (Under) Budget
Revenues:						
Local property taxes	\$5,266,313	\$5,258,503	\$ (7,810)	\$ 3,181,484	\$ 3,142,811	\$ (38,673)
Federal programs	443,068	381,358	(61,710)	640,816	623,398	(17,418)
State programs	1,370,202	1,445,886	75,684	8,836,048	8,956,194	120,146
Other				146,000	218,608	72,608
Total revenues	7,079,583	7,085,747	6,164	12,804,348	12,941,011	136,663
Other budgetary resources, fund balances available	1,552,000			477,000		
	<u>\$8,631,583</u>			<u>\$13,281,348</u>		
Expenditures and encumbrances:						
Certificated salaries	3,209,165	2,875,510	(333,655)	6,419,906	7,042,692	622,786
Classified salaries	456,435	488,799	32,364	3,172,585	2,931,139	(241,446)
Employee benefits				2,005,293	1,728,636	(276,657)
Books, supplies and equip- ment replacement	3,730,271	2,717,057	(1,013,214)	666,998	565,727	(101,271)
Contracted services and operating expenditures	1,235,712	956,965	(278,747)	1,016,566	1,118,550	101,984
Total expenditures and encumbrances	<u>\$8,631,583</u>	<u>7,038,331</u>	<u>\$1,593,252</u>	<u>\$13,281,348</u>	<u>13,386,744</u>	<u>\$ 105,396</u>
Prior year expenditures and encumbrances		(241,262)			(394,608)	
Encumbrances, July 1, 1978		255,748			579,589	
Net increase (decrease) in fund balance		61,902			(260,752)	
Fund balance (deficit):						
June 30, 1978		1,881,678			440,611	
June 30, 1979		<u>\$1,943,580</u>			<u>\$ 179,859</u>	

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
AUXILIARY FUNDS - BY FUND

STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
for the year ended June 30, 1979

	Development Center for Handicapped Pupils Fund			County School Service Fund			
	Final Budget	Actual	Over (Under) Budget	Final Budget	Actual	Over (Under) Budget	
Revenues:							
Local property taxes	\$ 134,385	\$ 132,654	\$ (1,731)	\$ -	\$ 2,035	\$ 2,035	
Federal programs				\$255,118	268,343	13,225	
State programs	915,917	929,996	14,079	648,625	648,625	-	
Other	-	-	-	903,743	919,003	\$ 15,260	
Total revenues	1,050,302	1,062,650	\$ 12,348	-	-	-	
Other budgetary resources, fund balances available	12,000			\$903,743			
	\$1,062,302						
Expenditures and encumbrances:							
Certificated salaries	240,557	213,580	(26,977)	288,728	236,613	(52,115)	
Classified salaries	202,076	151,819	(50,257)	22,460	27,640	5,180	
Employee benefits	118,790	28,681	(90,109)	57,580	58,465	885	
Books, supplies and equip- ment replacement	27,480	12,619	(14,861)	28,000	17,502	(10,498)	
Contracted services and operating expenditures	473,399	487,734	14,335	506,975	530,469	23,494	
Total expenditures and encumbrances	\$1,062,302	894,433	\$ (167,869)	\$903,743	870,689	\$ (33,054)	
Prior year expenditures and encumbrances		(43,297)			(56,817)		
Encumbrances, July 1, 1978		46,949			78,185		
Net increase in fund balance		171,869			69,682		
Fund balance:							
June 30, 1978		16,216			-		
June 30, 1979		\$ 188,085			\$ 69,682		

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

Description of Funds and Fund Groupings:

General Fund - economic resources of the District which are utilized for general operations, except as discussed in Note 5.

Special Revenue Fund - resources provided under federal and state programs, restricted for specific operating purposes.

Auxiliary Funds - include operations of cafeterias, child development and handicapped pupils programs, and the county school service function.

Capital Outlay Fund - construction activities under the state's Field Act Earthquake Safety Program and other capital outlays.

Trust Fund - private trusts, generally contributed or bequested to the district by individuals.

General Fixed Assets - land, building structures, equipment, furniture and fixtures operated by the District.

Basis of Reporting:

The following funds, included in prior financial statements for informational purposes only, are no longer reported as part of the District's financial statements:

- . County Education Office Fund
- . 1973 School Bonds Fund
- . 1964 School Bonds Fund
- . Real Property Fund
- . Employee Payroll Deduction Fund
- . General Bonded Debt
- . Debt Service

The above funds are under the budgetary control of the City and County of San Francisco.

In prior years, the Student Body Funds were included in the financial statements of the District. Commencing with fiscal year 1978-79, the District, as fiduciaries for the various student body organizations, has elected to report on Student Body Funds separately.

Continued

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, continued:

Method of Accounting:

The District uses a modified accrual basis of accounting under which revenues are generally recognized when earned, and expenditures and encumbrances are recorded when incurred, except for sick leave and vacation pay, which amounts are recorded when paid rather than when incurred. Unrecorded sick leave and vacation pay amounted to approximately \$38,000,000 at June 30, 1979. This treatment is in accordance with the American Institute of Certified Public Accountants Industry Audit Guide.

Budgetary Controls:

The District's original budget for fiscal year 1978-79 was adopted by the Board of Education on August 10, 1978.

Cash and Investments:

The District's cash is primarily held in a commingled account by the Treasurer of the City and County of San Francisco. Interest income from the cash held by the City Treasurer has not been allocated to the District. However, see Note 6 for a discussion of the District's claim for this interest.

Trust fund investments are stated at fair value at the date of bequest. Market value at June 30, 1979 was approximately \$93,500.

Inventory of Materials and Supplies:

The inventory consists of expendable materials and supplies held for consumption. The inventory balance is offset by an equal amount included in reserves. Materials and supplies are charged to expenditures when issued.

Encumbrances:

The District records obligations in the form of purchase orders, contracts or other commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when the actual expenditure is made.

Continued

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, continued:

Property Tax Revenues:

All taxes applicable to the District and billed by the City and County of San Francisco have been accrued as of June 30, 1979. Secured property tax revenue is recognized on an accrual basis. Unsecured property tax revenue is not recognized until collected.

Federal and State Grants:

Federal and state grants reported in the Special Revenue Funds are recognized as revenue only to the extent of grant expenditures and encumbrances. Cash received in excess of expenditures and encumbrances is recorded as unearned grant revenue and will be recognized in future years when additional expenditures are incurred.

Fixed Assets:

Land, building structures, equipment, furniture and fixtures are recorded at the estimated cost of such assets as of June 30, 1978 and at actual costs of additions thereafter.

The District records capital outlays in its respective funds as expenditures during the year and annually records the total capital outlay in the general fixed assets group of accounts. No depreciation is provided on general fixed assets.

The District's land is purchased through general obligation bonds of the City and County of San Francisco. In certain instances, the purchased land has been recorded on deeds in the name of the City and County of San Francisco and in other instances in the name of the San Francisco Unified School District.

Continued

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

2. Change in Accounting Principle:

The District has changed its policy of recognizing revenue from federal and state grants when awarded to the method described in Note 1, Summary of Significant Accounting Policies. As a result of this change, the beginning fund balance in the Special Revenue Fund has been restated to conform to the adopted method. This change in accounting principle is in conformity with Statement 2 of the National Council on Governmental Accounting, "Grant, Entitlement, and Shared Revenue Accounting and Reporting by State and Local Governments".

3. Unreimbursed Construction Expenditures:

Under the Field Act Earthquake Safety Program, the State of California reimburses the District for part of the construction costs incurred in connection with complying with earthquake safety standards for certain school buildings. These reimbursements are loans to the District, maturing in 20 years. Interest rates range from 4.5% to 5.5% per annum.

4. Pension Plans:

District employees participate in the State Teachers' Retirement System administered by the State of California and the City Retirement System. These plans cover substantially all District employees. The portion of pension expenditures recognized by the District for the fiscal year ended June 30, 1979 was approximately \$12,000,000. The amount of the excess, if any, of the actually computed value of vested benefits over the total of pension fund assets has not been determined.

5. Fund Balance:

The deficit in unrestricted general fund balance represents amounts to be funded from the District's operations in the subsequent fiscal year. Also, refer to Note 6 for discussion of amounts that may be subject to certain restrictions.

Restricted General Fund balance comprises amounts designated for certain District programs as well as property taxes received in the current year in excess of tax revenue restrictions.

Continued

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

5. Fund Balance, continued:

An analysis of the general fund balance follows:

Restricted for:	
Ad valorem taxes	\$ 302,179
Free lunch and breakfast program	589,327
Community services	1,122,200
State instructional materials	<u>24,189</u>
Total restricted	2,037,895
Unrestricted (deficit)	<u>(2,236,078)</u>
Total fund balance (deficit)	<u>\$ (198,183)</u>

6. Contingent Liabilities, Litigation and Other Matters:

The District is involved in numerous claims and lawsuits, involving personal injury, among other matters, which claim significant amounts. Amounts paid in settlement of such lawsuits totalled approximately \$87,000 in fiscal year 1977-78 and \$62,000 in fiscal year 1978-79. It is not possible to estimate the ultimate effect of the outstanding claims, lawsuits and other matters on the District's financial position.

The District's participation under federal and state grant programs is subject to audit and review for compliance with grant terms by the granting agency. The following are some of the claims and contingencies associated with various grant programs:

- . The federal Department of Health, Education and Welfare (HEW) has recommended, as a result of its review of the District's comparability reporting under Title I of the Elementary and Secondary Education Act (ESEA) for the 1974-75 school year, that the District refund approximately \$2,180,000 of the ESEA Title I funds it received during that year. HEW maintains that the District did not, as required by the Act, provide services with state and local funds in schools designated for Title I projects comparable to the average level of services provided in schools which are not served by a project. The District is contesting the HEW claim.

Continued

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

6. Contingent Liabilities, Litigation and Other Matters,
continued:

- . The State of California Health and Welfare Agency (the Agency) has requested, as a result of its review of the District's Child Day Care Program for the 1976-77 school year, that the District refund approximately \$840,000 to the state. The Agency claims the District violated certain grant provisions including the requirement for approvals of large expenditures, the maintenance of current certification for the centers, and the preparation and maintenance of accurate attendance records. The State Department of Education is contesting the claim on behalf of the District.
- . Included in the District's claims for reimbursement, as filed under the School Lunch, Breakfast and Special Milk Programs, are amounts pertaining to students who may not meet certain eligibility requirements of the programs. The ultimate effect, if any, on current and prior year federal and state program reimbursements cannot be determined.
- . The District has not complied with certain requirements of the State Department of Education's School Improvement Program. As a result, the District's 1979-80 funding under this program is only conditional. The ultimate effect, if any, on current and prior year program reimbursements cannot be determined.
- . The District's documentation of specific services rendered by employees under certain programs of the District may not meet the requirements of various granting agencies. The ultimate effect, if any, of these deficiencies in documentation cannot be determined.

In addition to the aforementioned matters pertaining to federal and state grant programs, the District is involved in certain lawsuits pertaining to desegregation of pupils and to classification of pupils as mentally retarded that involve possible costs to the District of substantial amounts. The ultimate outcome of these cases and the related costs to the District, if any, cannot presently be determined. To the extent that additional costs are incurred as a result of these cases, the District plans to attempt to recover any such costs from appropriate state agencies under certain provisions of the California Revenue and Taxation Code.

Continued

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

6. Contingent Liabilities, Litigation and Other Matters,
continued:

The District has reclassified approximately \$3,400,000 of general fund balances, previously considered restricted under the terms of property tax overrides, to unrestricted balances. The District has taken the action, after consultations with certain state officials, on the basis that certain recent amendments of the State Education Code allow the District to remove previous restrictions. However, the District's actions taken under the State Education Code could be affected by other local and state taxing authorities not concurring with the District's interpretation. Such effects, if any, could result in all, or a portion of, such funds being required to remain as restricted rather than unrestricted as presently classified.

The District's 1978-79 application for State Block Grant aid is subject to review and audit by the State Department of Finance. The Department of Finance may not concur with various interpretations and assumptions of the District. The effects, if any, on the State Block Grant aid of such a review or audit cannot presently be determinable.

As previously mentioned in Note 1 of these financial statements, the interest earned by the City and County of San Francisco on cash balances held by the City Treasurer for the District is not allocated to the District on the premise that certain in-kind services are provided by the City that fully offset such amounts. The District does not agree with this premise and has filed a claim for such interest relating to this past fiscal year. Additionally, the District has initiated an action to recover damages against the City for reimbursement of costs related to support of the Court Schools during the three-year period ended June 30, 1979 and for the years thereafter.

SUPPLEMENTAL DATA

COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

A MEMBER FIRM OF
COOPERS & LYBRAND (INTERNATIONAL)

Board of Education
San Francisco Unified School District
San Francisco, California

Our report on our examination of the financial statements of the San Francisco Unified School District appears on page 1. This examination was made primarily for the purpose of rendering an opinion on the basic financial statements, taken as a whole, as shown on pages 2 to 16 of this report. The other data included in this report on pages 18 to 23, inclusive, although not considered necessary for a fair presentation of financial position and results of operations in conformity with generally accepted accounting principles, is presented primarily for supplemental analysis purposes. This additional data has been subjected to the audit procedures applied in the examination of the basic financial statements, and also the additional procedures prescribed by the State of California Department of Finance, except as noted in the following paragraph, and in our opinion, subject to the settlement of outstanding claims, lawsuits and other matters described in Note 6 to the financial statements, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The expenditures reflected under the accompanying "Income Expenditures and Encumbrances by Source of Funds" represent the costs incurred during the year for programs financed in whole or in part by federal or state grants, apportionments and allowances. The related income reflects amounts earned under the terms of the grants and related laws, regulations and instruction manuals. At the time of our examination, the District had not completed the final claims for reimbursement under the various federal and state programs, and thus, these documents were not available for our review.

Since we were unable to examine the final claims for reimbursements, as noted in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on those claims.

Coopers & Lybrand

San Francisco, California
November 2, 1979

SUPPLEMENTAL DATA

1. Organization:

The San Francisco Unified School District operates 127 schools within the boundaries of the City and County of San Francisco. There were no changes in the boundaries of the District during the current year.

The Board of Education for the fiscal year ended June 30, 1979 was composed of the following members:

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Peter Mezey	President	January 1981
Mr. Bill Maher	Vice President	January 1981
Mrs. Rosario Anaya	Member	January 1983
Eugene S. Hopp, M.D.	Member	January 1981
Mrs. Julie C. Johnson	Member	January 1983
Mrs. Myra G. Kopf	Member	January 1983
Mr. Benjamin Tom	Member	January 1981

The District Superintendent is Dr. Robert F. Alioto.

2. Assessed Valuation and Tax Rates:

The School District tax rate and assessed valuation for the fiscal year ended June 30, 1979 were as follows:

	<u>Tax Rate</u>	<u>Assessed Valuation</u>
Secured roll	\$1.2065	\$3,402,314,902
Unsecured roll	1.2065	373,665,366
		<u>\$3,775,980,268</u>
Average Daily Attendance (ADA)		<u>\$59,262</u>
Assessed valuation per ADA		<u>\$63,717</u>

Analysis of secured roll tax rate is as follows:

General purpose	\$1.0952
State school building repayment	.0229
Total general fund	1.1181
Child development fund	.0848
Development center for handicapped pupils fund	.0036
Total tax rate	<u>\$1.2065</u>

3. INCOME, EXPENDITURES AND ENCUMBRANCES BY SOURCE OF FUNDS
for the year ended June 30, 1979

	Income			Expenditures	
	Federal	State	Local	Total	Encumbrances
Federal and state categorical aid programs:					
Elementary and Secondary Education Act:					
Title I - Basic Education	\$ 5,701,434			\$ 5,701,434	\$ 5,701,434
Title I - Magnet Education	40,040			40,040	40,040
Title IV B - Library and Learning Resources	147,625			147,625	147,625
Title IV C - Educational Innovation					
Land Support	206,558			206,558	206,558
Title VII - Bilingual Education	1,175,530			1,175,530	1,175,530
Vocational Education Act	696,926			696,926	696,926
Subpart 2 - Basic Grants	355,960			355,960	355,960
Subpart 3 - Program Improvement and Supportive Services	26,992			26,992	26,992
Subpart 4 - Special Programs for the Disadvantaged	31,390			31,390	31,390
Subpart 5 - Consumer and Homemaking Education	45,918			45,918	45,918
Comprehensive Employment and Training Act	2,082,231			2,082,231	2,082,231
Drivers' training					
Transportation allowances		\$ 390,952	\$ 523,469	\$ 914,421	\$ 914,421
Educationally Disadvantaged Youth Program		525,219	1,623,472	2,148,691	2,148,691
School Improvement Program		6,188,130	6,188,130	12,376,260	12,376,260
American Indian Education		1,165,868	1,165,868	2,331,736	2,331,736
Miller-Urquh Basic Reading Act	58,233	86,154		144,387	144,387
Education technology and instructional TV		19,500		19,500	19,500
State bilingual-bicultural education		1,389,696		1,389,696	1,389,696
All other categorical aid programs	2,948,420	383,198		3,331,618	3,331,618
Total federal and state categorical aid programs	13,517,257	10,148,717	2,146,941	25,812,915	25,812,915
Special education:					
Physically handicapped programs		1,613,647	1,694,437	3,308,084	3,308,084
Educationally mentally retarded programs		165,942	839,508	1,005,450	1,005,450
Trainable mentally retarded programs		185,139	360,264	545,403	545,403
Educationally handicapped programs		1,385,704	1,643,097	3,028,801	3,028,801
Special transportation allowances		351,416	1,238,607	1,590,023	1,590,023
Mentally gifted minors programs		258,322	846,446	1,104,768	1,104,768
Total special education	-	3,960,170	6,622,359	10,582,529	10,582,529
Total income and expenditures	\$13,517,257	\$14,108,887	\$ 8,769,300	\$36,395,444	\$36,395,444

4. AVERAGE DAILY ATTENDANCE
for the year ended June 30, 1979

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary schools, grades K-8	39,017	39,071
High schools:		
Other than defined adults	20,325	19,914
Defined adults	<u>285</u>	<u>277</u>
	<u>59,627</u>	<u>59,262</u>

5. Insurance and Surety Bond Coverage:

The insurance program of the District continues to be coordinated by an outside insurance advisor. The most recent appraisal of the replacement and insurable values of the buildings and equipment owned by the District was made in 1976. The insurance carried during the year continues to be based on this appraisal, as updated for additions.

Insurance coverage for the year ended June 30, 1979 was as follows:

Buildings and Equipment - Blanket

Insured for 90% replacement cost, less \$250,000 deductible per loss against the perils of fire, lightning, extended coverage, vandalism and malicious mischief and sprinkler leakage. Policy includes increased cost of construction.	\$20,000,000 each occurrence, up to \$570,632,951 maximum
--	---

Liability Insurance - Comprehensive, General and Contractual

Insured for bodily injury and property damage in excess of \$500,000 self-insured retention. Policy excludes liability incurred through the use of trampolines.	\$9,500,000 maximum
---	---------------------

Property - George Washington Carver Elementary School

a) Property

Blanket Building and Contents insured for replacement cost, less \$25,000 deductible, and 90% coinsurance against the perils of vandalism and malicious mischief, sprinkler leakage and extended coverage.	4,175,000
--	-----------

b) Liability

Comprehensive, general and contractual liability for bodily injury and property damage.	500,000
---	---------

c) Rental Value

Insured for 100% contribution against perils of fire, extended coverage, sprinkler leakage, vandalism and malicious mischief.	560,000
---	---------

Continued

5. Insurance and Surety Bond Coverage, continued:

Property Coverage - Miscellaneous

Insured for replacement cost, less \$100 deductible, and 90% coinsurance against the perils of fire, extended coverage, vandalism and malicious mischief, loss of valuable papers, equipment on loan to the school district and sprinkler leakage subject to sprinkler warranty. 668,882

Comprehensive General Liability

John O'Connell High School
Bodily injury 300,000
Property damage 50,000

Public Employees' Bond \$100,000
(Disbursing Officer)

Public Employees' Honesty Blanket Position Bond 50,000
(covers all District employees)

Automobile Insurance Coverage

Insured for comprehensive and collision at actual cash value, less \$100 deductible per accident.

Bodily injury liability:
Each person 300,000
Each occurrence 600,000

Property damage liability:
Each occurrence 100,000

Medical payments 2,000

Uninsured motorists (for driver training cars only):
Each person 15,000
Each accident 30,000

Steam Boiler Insurance - Blanket 601,000

Directors and Officers Liability
(Board of Education Members)

Aggregate, subject to \$10,000 retention 3,000,000

Continued

5. Insurance and Surety Bond Coverage, continued:

Excess Board of Education Indemnity

2,000,000

Interscholastic Athletics - Bodily Injury

Required per Education Code, Sections 32220-24. Excess coverage obtained from California Interscholastics Federation Protection Fund. (Bills in excess of other coverage are submitted to CIFPF):

Medical and hospital - per student,
per accident

1,500

Catastrophic

8,500

Accidental death

1,500

Student Field Trip Accident/Medical Insurance

Accidental death, maximum per student

1,500

Dismemberment, maximum per student

10,000

Medical expenses

Per Schedule

6. Reconciliation with Forms J-41 and J-73:

<u>Funds</u>	<u>Fund Balance per Forms</u>	<u>Fund Balance per Audit Report</u>
General - unrestricted	\$(2,236,078)	\$(2,236,078)
General - restricted	2,037,895	2,037,895
Special reserve	1,592,671	1,476,797 ⁽¹⁾
Building fund	253,134	- ⁽¹⁾
Cafeteria fund	1,943,580	1,943,580
Child development	296,476	179,859 ⁽²⁾
Development center for handicapped pupils	181,135	188,085 ⁽²⁾
County school service	70,567	69,682 ⁽²⁾

(1) Difference due to exclusion of certain funds from annual audit report that are included in J-41.

(2) Difference due to audit adjustments recorded after J-73 filing date.

FINANCIAL STATEMENTS AND AUDITORS' REPORT

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
COUNTY OF SAN FRANCISCO
SAN FRANCISCO, CALIFORNIA**

June 30, 1979

Alexander Grant
& COMPANY

Governing Board
San Francisco Community College District

We have examined the financial statements of the various funds and account groups of the San Francisco Community College District for the year ended June 30, 1979, listed in the foregoing table of contents. Our examination was made in accordance with generally accepted auditing standards and the standards prescribed by the State Department of Finance and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the various funds and account groups of the San Francisco Community College District at June 30, 1979, and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying supplemental information, and the column on the accompanying combined balance sheet and statements of income, expenditures and changes in fund balance captioned "Total - Memorandum Only" are not necessary for a fair presentation of the

financial statements, but are presented as additional analytical data. The above data has been subjected to the tests and other auditing procedures applied in the examination of the financial statements listed in the foregoing table of contents and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In connection with our examination, we also made a study and evaluation of the San Francisco Community College District's system of internal control, and performed tests of compliance as required by Chapter 2 of Standards and Procedures for Audits of California Local Educational Agencies issued by The Department of Finance, State of California. Our findings are set forth under the heading "Comments and Recommendations" in this report.

Alexander Grant & Company

San Francisco, California
April 30, 1980

San Francisco Community College District
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUP
 June 30, 1979

	Governmental Fund Types				Proprietary Fund Types		Plant Fund Types			Total Miscellaneous Only
	General	Grant	Child Development	Loan	Capital Projects Special Reserve	Auxiliary	Good and Intention Recompensation	Long-Term Liabilities	Property and equipment	
ASSETS										
Cash in County Treasury	\$ 8,829,080	\$ (814,814)	\$ 11,598	\$ -	\$20,366,915	\$ -	\$550	\$ -	\$ -	\$28,759,118
Cash transfers	41,900	148,916	-	97,482	1,580	345,366	-	-	-	627,041
Revolving fund	30,000	-	-	-	-	-	-	-	-	190,816
Accounts receivable (note B)	1,060,297	2,362,652	-	-	-	31,279	-	-	-	3,454,228
Student loans receivable (note E)	-	-	-	2,761,680	-	-	-	-	-	2,761,680
Due from (to) other funds	-	-	-	(815,000)	-	-	-	-	-	(815,000)
Interfund accounts receivable (City and County of San Francisco)	1,912,812	5,481	-	-	-	-	-	-	-	1,918,293
Inventories (note A)	-	-	-	-	-	186,906	-	-	-	204,033
Property and equipment (notes A and F)	-	-	-	-	-	29,621	-	-	54,403,711	54,433,332
Amount to be provided for retirement of bonds	-	-	-	-	-	-	-	510,000	-	510,000
Prepaid expenses	-	-	-	-	-	3,377	-	-	-	3,377
Due from (to) other funds (District funds)	(960,622)	(367,566)	10,839	(14,606)	1,417,285	-	-	-	-	-
	<u>\$10,913,467</u>	<u>\$1,717,282</u>	<u>\$22,437</u>	<u>\$2,029,567</u>	<u>\$21,764,200</u>	<u>\$596,749</u>	<u>\$550</u>	<u>\$510,000</u>	<u>\$54,403,711</u>	<u>\$82,070,129</u>
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ 595,301	\$ 7,765	\$ 318	\$ -	\$ -	\$ 63,410	\$ -	\$ -	\$ -	\$ 666,794
Vouchers payable	723,316	63,939	150	-	-	-	-	-	-	834,380
Accrued liabilities	49,062	-	-	-	26,915	-	-	510,000	-	510,000
Bonded debt (note H)	-	-	-	-	-	-	-	-	-	-
Interfund accounts payable (City and County of San Francisco)	917,875	136	1,667	-	31,888	-	-	-	-	951,666
Accrued liabilities	1,933,067	-	1,144	-	-	-	-	-	-	1,934,231
Reserve for litigation property taxes (note B)	1,591,061	-	-	-	-	-	-	-	-	1,591,061
Other	95,000	-	1,000	-	16,762,730	-	-	-	-	16,878,437
Total liabilities	<u>5,904,702</u>	<u>91,840</u>	<u>4,279</u>	<u>-</u>	<u>16,821,633</u>	<u>63,410</u>	<u>-</u>	<u>510,000</u>	<u>-</u>	<u>23,415,571</u>
Unencumbered appropriations	-	-	-	-	4,936,564	-	-	-	-	4,936,564
Commitments (note G)	-	-	-	-	-	-	-	-	-	-
Fund balances	5,008,765	1,625,442	18,158	2,029,567	26,003	533,339	550	-	54,403,711	63,717,994
	<u>\$10,913,467</u>	<u>\$1,717,282</u>	<u>\$22,437</u>	<u>\$2,029,567</u>	<u>\$21,764,200</u>	<u>\$596,749</u>	<u>\$550</u>	<u>\$510,000</u>	<u>\$54,403,711</u>	<u>\$82,070,129</u>

The accompanying notes are an integral part of this statement.

San Francisco Community College District

COMBINED STATEMENT OF INCOME, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

Year ended June 30, 1979

	Governmental Fund Types							Proprietary Fund Types		Fiduciary Fund Types		Plant Fund Types		Total Memorandum Only
	General	Grant	Child Development	Loan	Capital Projects		Cafeteria	Bond Redemption	Long-Term Liabilities	Property and equipment				
					Special Reserve	Auxiliary								
Sources of Financial Resources														
Income														
Federal Sources														
Vocational Education Act	\$ 126,219	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,219
Elementary and Secondary Education Act	900,000	-	-	-	-	-	-	-	-	-	-	-	-	900,000
Other Federal Income	57,599	1,631,644	-	22,603	-	-	-	-	-	-	-	-	-	1,711,846
State Sources														
Principal apportionment	18,237,148	-	-	-	-	-	-	-	-	-	-	-	-	18,237,148
Business inventory tax relief	185,799	-	-	-	-	-	-	-	-	-	-	-	-	185,799
Home owners property tax relief	376,165	-	-	-	-	-	-	-	-	-	-	-	-	376,165
State general fund surplus	8,934,894	-	-	-	-	-	-	-	-	-	-	-	-	8,934,894
Other state income	15,459	1,289,862	-	-	-	-	-	-	-	-	-	-	-	1,866,062
Local Sources														
District taxes	8,181,112	-	-	-	-	-	-	-	-	-	-	-	-	8,181,112
Rentals	21,212	-	-	-	-	-	-	-	-	-	-	-	-	21,212
Interest and penalties	19,938	-	-	-	18,582	-	-	-	-	-	-	-	-	38,520
Student charges	533,361	-	-	-	-	-	-	-	-	-	-	-	-	533,361
Other local income	26,261	327,113	-	-	-	-	-	439,780	-	-	-	-	-	793,154
Transfer Sources														
Mandatory transfers	-	-	-	2,511	-	-	-	-	-	-	-	-	-	2,511
Incoming transfers	-	-	57,548	-	153,024	-	-	-	20,450	-	-	-	-	231,022
Unencumbered appropriations	-	-	-	-	143,352	-	-	-	-	-	-	-	-	143,352
Total income	37,615,167	3,228,619	57,548	43,696	296,376	439,780	-	20,450	-	590,741	-	-	-	42,282,377
Revenues														
Athletic events	-	-	-	-	-	-	-	-	-	-	-	-	-	3,287
Gross profit on sales	-	-	-	-	-	-	-	-	-	-	-	-	-	323,066
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	6,412
Student body cards	-	-	-	-	-	-	-	-	-	-	-	-	-	42,130
Vending machine commission	-	-	-	-	-	-	-	-	-	-	-	-	-	15,184
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	6,192
TOTAL SOURCES OF FINANCIAL RESOURCES														
	\$37,615,167	\$3,228,619	\$57,548	\$43,696	\$296,376	\$439,780	\$398,271	\$20,450	\$ -	\$590,741				\$42,680,648

The accompanying notes are an integral part of this statement.

San Francisco Community College District

COMBINED STATEMENT OF INCOME, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

Year ended June 30, 1979

	Governmental Fund Types						Fiduciary Fund Types		Plant Fund Types		Total Memorandum Only
	General	Grant	Child Development	Loan	Capital Projects		Auxiliary	Bond Interest and Redemption	Long-term Liabilities	Property and equipment	
					Special Reserve	Cafeteria					
Uses of Financial Resources											
Expenditures											
Current											
Certified salaries	\$22,149,202	\$1,226,600	\$14,083	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$23,389,885
Contract services	5,896,845	638,580	32,640	-	-	85,330	141,758	-	-	-	6,795,153
Classified salaries	4,524,403	98,604	1,677	-	-	-	14,177	-	-	-	4,638,461
Employee benefits											
Books, supplies and replacement equipment	1,096,208	59,550	3,435	-	-	327,873	-	-	-	-	1,477,066
Contract services and operating equipment	3,207,355	250,422	130	81,319	-	-	128,520	-	-	-	3,667,746
Capital outlay	171,975	263,914	-	-	296,376	-	-	-	-	-	732,265
Debt service	-	-	-	-	-	-	-	5,000	-	-	5,000
Principal retirement	-	-	-	-	-	-	-	15,450	-	-	15,450
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	37,035,988	2,537,670	51,965	81,319	296,376	413,203	284,455	20,450	-	-	40,721,426
Other uses											
Inter-fund transfers	213,083	-	-	-	-	-	20,450	-	-	-	233,533
Student financial aid	-	690,949	-	254	-	-	-	-	-	-	691,203
Total uses of financial resources	37,249,071	3,228,619	51,965	81,573	296,376	413,203	304,905	20,450	-	-	41,646,162
Excess (deficiency) of income and revenue over expenditures and other uses	\$ 366,096	\$ -	\$ 5,583	\$ (37,877)	\$ -	\$ 26,577	\$ 93,566	\$ -	\$ -	\$ -	\$ 1,034,486

The accompanying notes are an integral part of this statement.

COMBINED STATEMENT OF INCOME, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

Year ended June 30, 1979

	Governmental Fund Types						Plant Fund Types			Total Memorandum Only		
	General	Grant	Child Development	Loan	Capital Projects		Proprietary Fund Types		Fiduciary Fund Types			
					Special Reserve		Cafeteria		Auxiliary			Bond Interest and Redemption	Long-Term Liabilities	Property and equipment
Excess (deficiency) of income and revenue over expenditures and other uses	\$ 366,096	\$ -	\$ 5,583	\$ (37,877)	\$ -		\$26,577	\$ 93,366	\$ -	\$ -	\$ 580,741	\$ 1,034,496
Adjustment of fixed assets to appraised historical cost (note F)	-	-	-	-	-		-	-	-	-	26,034,619	26,034,619
Other additions or transfers	513,526	571,153	(757)	-	-		(750)	(2,398)	-	-	-	1,080,774
Net increase (decrease) in fund balances	879,622	571,153	4,826	(37,877)	-		25,827	90,968	-	-	26,615,360	28,149,879
Fund balances - July 1, 1978	4,129,143	1,054,289	13,332	2,067,444	26,003		46,632	442,371	550	-	27,789,351	35,568,115
Fund balances - June 30, 1979	\$5,008,765	\$1,625,442	\$18,158	\$2,029,567	\$26,003		\$72,459	\$533,339	\$950	\$ -	\$54,403,711	\$63,717,994

The accompanying notes are an integral part of this statement.

San Francisco Community College District
COMBINED STATEMENT OF INCOME, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL, CHILD DEVELOPMENT, SPECIAL RESERVE AND CATERPILLAR FUNDS
Year ended June 30, 1979

	General Fund		Child Development Fund		Special Reserve Fund		Caterpillar Fund		Total (unaudited)	
	Adopted Budget	Over (Under) Budget	Adopted Budget	Over (Under) Budget	Adopted Budget	Over (Under) Budget	Adopted Budget	Over (Under) Budget	Adopted Budget	Over (Under) Budget
Source of financial resources										
Private Sources										
Educational Education Act	\$ -	\$ 126,219	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,219	\$ 126,219
Education Act (Secondary)	900,000	-	-	-	-	-	900,000	-	900,000	900,000
Other General Income	-	57,599	-	-	-	-	-	57,599	-	57,599
State Sources										
Private Appropriation	17,694,140	18,237,148	-	-	-	-	-	-	18,237,148	18,237,148
Business inventory tax relief	175,663	185,799	-	-	-	-	-	-	185,799	185,799
State general fund surplus	8,665,400	8,834,984	-	-	-	-	-	-	8,665,400	8,665,400
Other State Income	5,313	15,459	-	-	-	-	-	-	5,313	15,459
Local Sources										
District taxes	8,283,443	(102,231)	-	-	-	-	8,283,443	8,181,112	8,283,443	(102,231)
Totals	17,240	15,932	-	-	-	-	17,240	15,932	17,240	15,932
Student charges	488,762	532,361	-	-	-	-	488,762	532,361	488,762	532,361
Other local income	90,116	(63,885)	-	-	-	-	90,116	(63,885)	90,116	(63,885)
Transfers										
Transitory transfers	-	-	-	-	-	-	-	-	-	-
Incoming transfers	-	-	\$7,548	\$7,548	-	-	-	-	7,548	7,548
Unencumbered appropriations	-	-	-	-	-	-	-	-	-	-
TOTAL SOURCE OF FINANCIAL RESOURCES	\$36,461,670	\$37,615,167	\$57,548	\$57,548	\$ -	\$ -	\$540,000	\$439,780	\$37,259,218	\$1,148,653

The accompanying notes are an integral part of this statement.

San Francisco Community College District
COMBINED STATEMENT OF INCOME, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (continued)
GENERAL, CHILD DEVELOPMENT, SPECIAL RESERVE AND CARTERHILL FUND TYPES

Year ended June 30, 1979

	General Fund		Child Development Fund		Special Reserve Fund		Carterhill Fund		Total Memorandum Only	
	Adopted budget	Actual	Adopted budget	Actual	Adopted budget	Actual	Adopted budget	Actual	Adopted budget	Actual
Uses of financial resources										
Expenditures										
Contractual	\$24,349,553	\$22,149,202	\$12,200,391		\$ -		\$ -		\$24,379,270	\$22,152,295
Classified salaries	6,201,090	5,899,445	384,245	41,137					6,360,227	6,014,815
Salaries and benefits	1,275,901	1,066,208	(289,693)	4,720					4,891,128	4,136,560
Books, supplies and replacement				3,433					1,745,621	1,417,518
Contract services and operating				965					3,562,706	3,397,482
Capital outlay				130					250,221	250,221
				(24,334)					41,131,461	37,797,532
Total expenditures	40,521,302	37,035,888	(3,455,374)	70,499					41,131,461	37,797,532
Other uses										
Tuition transfers	8,000	213	(8,000)						8,000	(8,000)
Reserve for contingencies	60,655		(60,655)						60,655	(60,655)
Total uses of financial resources	40,617,055	37,249,071	(4,338,094)	70,499					41,258,064	38,016,615
Excess (deficiency) of revenues over expenditures and other uses										
Other additions or transfers		366,096								366,096
Net increase (decrease) to fund balances		879,622								879,622
Fund balances - July 1, 1978		4,129,142								4,215,110
Fund balances - June 30, 1979		\$ 5,008,765								\$ 5,105,382

The accompanying notes are an integral part of this statement.

San Francisco Community College District

NOTES TO FINANCIAL STATEMENTS

June 30, 1979

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

- General

The District accounts for financial transactions in accordance with the policies and procedures of The California Community Colleges Budget and Accounting Manual, 1978 edition.

The financial statements have been prepared on the modified accrual basis of accounting under which expenditures are recorded when the liability is incurred and revenues are recorded when received in cash, unless susceptible to accrual, i.e., measurable and available to finance the District's operations.

- Income from State and Federal Sources

Income from the Tax Relief Subventions, principal apportionments, and special purpose apportionments is recognized when apportioned to the District by the State.

Income from federal and state special projects and grants are recognized as qualified expenditures are incurred. The unexpended balances are reflected as an unexpended fund balance.

- Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

- Property and Equipment

The District expenses the cost of property and equipment in the year purchased. The assets are capitalized and recorded in a Plant Fund. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives on a straight-line basis for the bookstore only.

San Francisco Community College District
NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 1979

NOTE B - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 1979:

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Auxiliary Fund</u>
Federal sources	\$ 900,000	\$1,672,408	\$ -
State sources	-	578,867	-
Local sources	631,223	111,377	-
Other	-	-	31,279
Less allowance for uncollectible receivables	<u>(470,926)</u>	<u>-</u>	<u>-</u>
	<u>\$1,060,297</u>	<u>\$2,362,652</u>	<u>\$31,279</u>

A portion of the 1978-79 property tax levy, approximately \$1,675,000, has been contested and is being litigated. As of June 30, 1979, \$1,591,061 of the litigated levy had been collected and held by the County Tax Collector and the balance has been fully reserved pending settlement of the litigation.

NOTE C - ACCUMULATED VACATION AND SICK LEAVE

Accumulated vacation and sick leave benefits are not recorded as liabilities by the District. The District's policy is to record amounts as operating expense in the period vacations or sick leaves are taken. The approximate dollar value of such accumulations relating to the General Fund has been determined by the District as follows:

Sick leave	\$10,184,484
Vacation	<u>387,394</u>
	<u>\$10,571,878</u>

San Francisco Community College District
NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 1979

NOTE D - PENSION PLAN

The District's employees participate in the City and County of San Francisco Employee's Retirement System, State Teacher's Retirement System (STRS) and Public Employee's Retirement System (PERS). Total pension expense for the year aggregated \$1,339,441, \$1,452,685 and \$6,787, respectively. District's contributions are 20.05% for employees hired prior to November 2, 1976 and 14.70% for employees hired after November 1, 1976 for the City and County of San Francisco Employee's Retirement System, 8.00% for STRS and 24.56% for PERS.

NOTE E - STUDENT LOAN FUNDS

Under the District's agreements with the Federal Government, portions of the principal and interest due on National Direct Student Loan Fund and Nursing Student Loan Fund notes may be cancelled under certain conditions. Such cancellations are shared in the same ratio as the contributions to the fund, ninety percent federal and ten percent institutional. The District is reimbursed by the Federal Government for substantially all of the District's portion of the cancellations.

San Francisco Community College District
NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 1979

NOTE F - PLANT ASSETS

The plant funds group consist of the following: Property and Equipment Funds, which capitalizes asset expenditures from the General Fund; the Special Reserve Fund; the Child Development Fund; the Bonded Debt Fund, which accounts for the debt service; and the Auxiliary Funds.

Prior to July 1, 1978, the District did not maintain detail records with respect to its investment in property and equipment and did not record construction in progress in the Special Reserve Fund. In order to comply with Section 72205 of the California Education Code, the District had a complete physical inventory of its property and equipment, and an appraisal of the original cost taken of all its fixed assets.

The following is a summary of plant assets as of June 30, 1979:

	Balance June 30, 1978	Additional fixed assets per estimated original cost at June 30, 1978	Additions (net)	Balance June 30, 1979
Property and equipment				
Building	\$18,114,625	\$19,879,026	\$ 65,653	\$38,059,304
Furniture and equipment	8,664,158	1,994,617	515,088	11,173,863
Land	<u>1,009,568</u>	<u>4,160,976</u>	-	<u>5,170,544</u>
	27,788,351	26,034,619	580,741	54,403,711
Auxiliary Fund				
Furniture and equipment	<u>8,278</u>	-	21,343	29,621
	<u>\$27,796,629</u>	<u>\$26,034,619</u>	<u>\$602,084</u>	<u>\$54,433,332</u>

San Francisco Community College District
NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 1979

NOTE G - LEASE COMMITMENTS

The District leases various equipment over periods of generally five-years. The District accounts for these leases as operating leases. The following is a schedule by years of minimum rental payments under such operating leases which expire at various dates through 1983.

Fiscal year ending June 30,

1980	\$ 415,488
1981	415,488
1982	254,242
1983	<u>6,534</u>
	<u>\$1,091,752</u>

Rent expense for the year ended June 30, 1979 was \$341,292.

The District also leases certain facilities used for instructional purposes, the majority of which are under one-year.

NOTE H - BONDED DEBT

On October 13, 1970, the San Francisco Junior College District, City College of San Francisco Student Union Revenue Bonds of 1969 were issued in the amount of \$550,000. The bonds were sold at par subject to a Trust Indenture dated April 1, 1969, which established the Treasurer of the City and County of San Francisco as trustee.

These bonds bear interest at the rate of 3% with interest due semi-annually. Principal payments are due annually on April 1 as follows: 1979 - \$5,000 then increasing progressively to a maximum annual payment of \$20,000 in each year from 2012 to 2019.

The bonds are collateralized by a first lien on the net revenues of the project (bookstore). Among the provisions of the Trust Indenture, are requirements for deposits to a project revenue fund, an interest and redemption fund, and a repair and replacement reserve fund. As of June 30, 1979, the District had not made all of the required deposits to those funds.

San Francisco Community College District
NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 1979

NOTE I - CONTINGENCIES

The District is involved in litigation concerning certain construction contracts. The estimated amount in contention is approximately \$2,100,000. The eventual outcome of these matters is not presently determinable.



SUPPLEMENTAL INFORMATION

San Francisco Community College District

GENERAL COMMENTS

Year ended June 30, 1979

In 1970, City College of San Francisco, in conformance with State law, was separated from the San Francisco Unified School District and with the Adult - Occupational Schools, formed and created the San Francisco Community College District.

The City College of San Francisco is a public two-year community college. The Adult - Occupational Schools, now called the San Francisco Community College Centers, offer non-credit classes in vocational and general education and high school classes for adults.

GOVERNING BOARD FOR THE FISCAL YEAR ENDED JUNE 30, 1979

<u>Board Member</u>	<u>Office</u>	<u>Term Expires</u>
Lillian K. Sing	President	January 1983
John Riordan	Vice President	January 1983
Ernest Ayala	Member	January 1981
Robert E. Burton	Member	January 1983
John Yehall Chin	Member	January 1981
Peter M. Finnegan	Member	January 1981
Doris M. Ward	Member	January 1981

Chancellor Superintendent

Herbert M. Sussman

The boundaries of the San Francisco Community College District are coterminous with the City and County of San Francisco.

San Francisco Community College District

SCHEDULE OF INCOME AND EXPENDITURES BY SOURCE OF FUND

Year ended June 30, 1979

	Income			Expenditures	Status as of June 30, 1979
	Federal	State	Local	Total	
Federal and State Categorical Aid Programs					
Higher Education Act of 1965					
Title II; Part A - College Library Resources Program	\$ 2,939	\$ -	-	\$ 2,939	Completed
Title II; Part A - College Training Fellowship	19,739	-	-	19,739	Completed
Title IV; Part A - Supplemental Educational Opportunity Grant	444,586	-	-	444,586	In Process
Title IV; Part C - College Work Study Program	427,782	-	35,057	462,839	In Process
Vocational Education Act					
Part J - Bilingual Vocational Training	13,276	-	-	13,276	Completed
Sub Part 2 - Basic Grants	-	218,953	-	218,953	In Process
Sub Part 3 - Program Improvement and Supportive Services	-	51,663	-	51,663	In Process
Sub Part 4 - Special Education for the Disadvantaged	-	62,820	-	62,820	Completed
Sub Part 5 - Consumer and Homemaking Education	91,161	225	-	91,386	In Process
Comprehensive Employment and Training Act					
Veterans Cost of Instruction	-	315,913	255,155	571,068	In Process
Nurse Training Act of 1968	41,429	-	-	41,429	In Process
Child Care Food Program	22,784	-	-	22,784	In Process
State Preschool	-	12,359	-	12,359	Completed
Extended Opportunity Program Services Act of 1969	-	194,332	-	194,332	Completed
Vietnam Veterans Readjustment Benefits Act of 1975	-	374,506	-	374,506	In Process
Indochina Immigration and Refugee Assistance Act of 1975	61,976	-	-	61,976	Completed
All other Categorical Aid Programs	130,830	-	-	130,830	In Process
	375,142	39,081	36,901	451,124	In Process
Total income and expenditures	\$1,631,644	\$1,269,862	\$327,113	\$3,228,619	

Auditors' Comments

We examined claims filed for reimbursements and supporting records covering the transactions in the categorical aid programs administered by the District and we believe that the schedule to assure ourselves that amounts claimed by the district were proper.

While we satisfied ourselves as to the propriety of expenditures and revenues, no attempt was made to ascertain the effectiveness of the programs in fulfilling the purpose under which funds were obtained, nor the efficiency with which the projects were administered.

San Francisco Community College District

DISTRICT ASSESSED VALUATION

June 30, 1979

The following is a detail of the District's assessed valuation for the 1978-79 fiscal year:

Secured roll		
Locally assessed	\$3,383,290,011	
Board roll	303,894,520	
Veteran-Welfare exemptions	180,325,790	
Homeowner exemptions	166,911,785	
Business inventory exemptions	<u>11,441,194</u>	\$4,045,863,300
Unsecured roll		
Locally assessed	413,572,961	
Business inventory exemptions	79,453,428	
Veteran-Welfare exemptions	3,125	
Homeowner exemptions	<u>32,550</u>	<u>493,062,064</u>
Total assessed valuation		<u>\$4,538,925,364</u>

San Francisco Community College District

AVERAGE DAILY ATTENDANCE (A.D.A.)

Year ended June 30, 1979

The requirements governing A.D.A., Admission of Students, recording and reporting of student attendance, and similar matters are controlled by provisions of the Education Code and State Regulations.

Attendance A.D.A. statistics computed for the fiscal year ended June 30, 1979 are as follows:

District resident	22,899
Other district resident	620
Non-resident	418
Non-state supported-noncredit	<u>2,009</u>
Total	<u>25,946</u>

We have examined the reports submitted to the State to an extent considered necessary to assure ourselves that the reports presented fairly the information contained therein.

San Francisco Community College District

LEGAL DEBT MARGIN

Year ended June 30, 1979

Modified assessed valuation		<u>\$3,803,858,340</u>
Bonding capacity (5% of modified assessed valuation per Education Code Section 15102)		\$ 190,192,917
Bond outstanding	\$510,000	
Less debt service fund balance	<u>550</u>	<u>509,450</u>
Legal debt margin		<u>\$ 189,683,467</u>

San Francisco Community College District

INSURANCE

June 30, 1979

A summary of the District's principal insurance coverage at June 30, 1979 is as follows:

<u>Coverage</u>	<u>Policy Limits</u>
Fire, and extended coverage	\$ 75,735,000
Worker's compensation	Self insured City and County of San Francisco Employee's Retirement System
Boilers and machinery	\$ 600,000
Comprehensive general liability	\$ 500,000
Umbrella liability	\$ 9,500,000
Comprehensive automobile	\$300/600,000
Excess automobile	\$ 2,000,000
Aircraft liability	\$ 10,000,000
Professional liability	\$ 2,000,000
Honesty Blanket Bond	\$ 100,000
Data Processing	\$ 164,140
Garage	\$ 300,000

San Francisco Community College District

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCAF-311)
WITH AUDITED FINANCIAL STATEMENTS

Year ended June 30, 1979

	General Fund	Cafeteria Fund	Child Development Fund	Special Reserve Fund	Bond Interest and Redemption Fund
Fund balance per annual financial and budget report (CCAF-311) as of June 30, 1979	\$4,274,987	\$ 89,423	\$19,918	\$26,003	\$550
Adjustments and reclassifications					
Increasing (decreasing) the fund balance					
Under-accrual of revenue	133,722	574	-	-	-
Under/over accrual of expenditures	367,873	(411)	(1,760)	-	-
Reserve for inventory valuation	-	(17,127)	-	-	-
Excess of prior year encumbrances over actual expenditures	<u>232,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance per audited financial statements as of June 30, 1979	<u>\$5,008,765</u>	<u>\$ 72,459</u>	<u>\$18,158</u>	<u>\$26,003</u>	<u>\$550</u>

San Francisco Community College District

BALANCE SHEET - AUXILIARY FUNDS

June 30, 1979

ASSETS

	Total	Bookstore	Associated Student Body Funds	Associated Student Body Trust Funds
Cash in banks	\$345,366	\$241,158	\$49,739	\$54,469
Accounts receivable	31,279	31,129	-	150
Inventories	186,906	186,906	-	-
Property and equipment (net of accumulated depreciation of \$17,235)	29,621	29,621	-	-
Other assets	<u>3,577</u>	<u>3,577</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$596,749</u>	<u>\$492,391</u>	<u>\$49,739</u>	<u>\$54,619</u>

LIABILITIES AND FUND BALANCES

Accounts payable	\$ 54,898	\$ 54,898	\$ -	\$ -
Other liabilities	<u>8,512</u>	<u>5,796</u>	<u>2,716</u>	<u>-</u>
Total liabilities	63,410	60,694	2,716	-
Restricted Trust Funds	54,619	-	-	54,619
Unrestricted	<u>478,720</u>	<u>431,697</u>	<u>47,023</u>	<u>-</u>
Total fund balances	<u>533,339</u>	<u>431,697</u>	<u>47,023</u>	<u>54,619</u>
Total liabilities and and fund balances	<u>\$596,749</u>	<u>\$492,391</u>	<u>\$49,739</u>	<u>\$54,619</u>

Bookstore operations are conducted on a fiscal year ended May 15. Transactions between May 16 and June 30 do not materially affect the financial statements.

San Francisco Community College District

STATEMENT OF REVENUES AND EXPENDITURES
STUDENT BODY FUNDS

Year ended June 30, 1979

	Associated Student Body Funds	Associated Student Body Trust Funds
Revenues		
Student Body Cards	\$ 42,130	\$ -
Vending machine commission	15,184	-
Sports activities	3,287	-
Other	<u>946</u>	<u>-</u>
Total revenues	61,547	-
Expenditures		
Club activities	53,424	-
Sporting activities	16,534	-
Administration	11,066	-
Intramurals	<u>1,800</u>	<u>-</u>
Total expenditures	<u>82,824</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(21,277)	-
Transfers from bookstore	50,000	-
Net (decrease) in trust funds	<u>-</u>	<u>(2,398)</u>
Net increase (decrease) for year	28,723	(2,398)
Fund balance - beginning of year	<u>18,300</u>	<u>57,017</u>
Fund balance - end of year	<u>\$ 47,023</u>	<u>\$54,619</u>

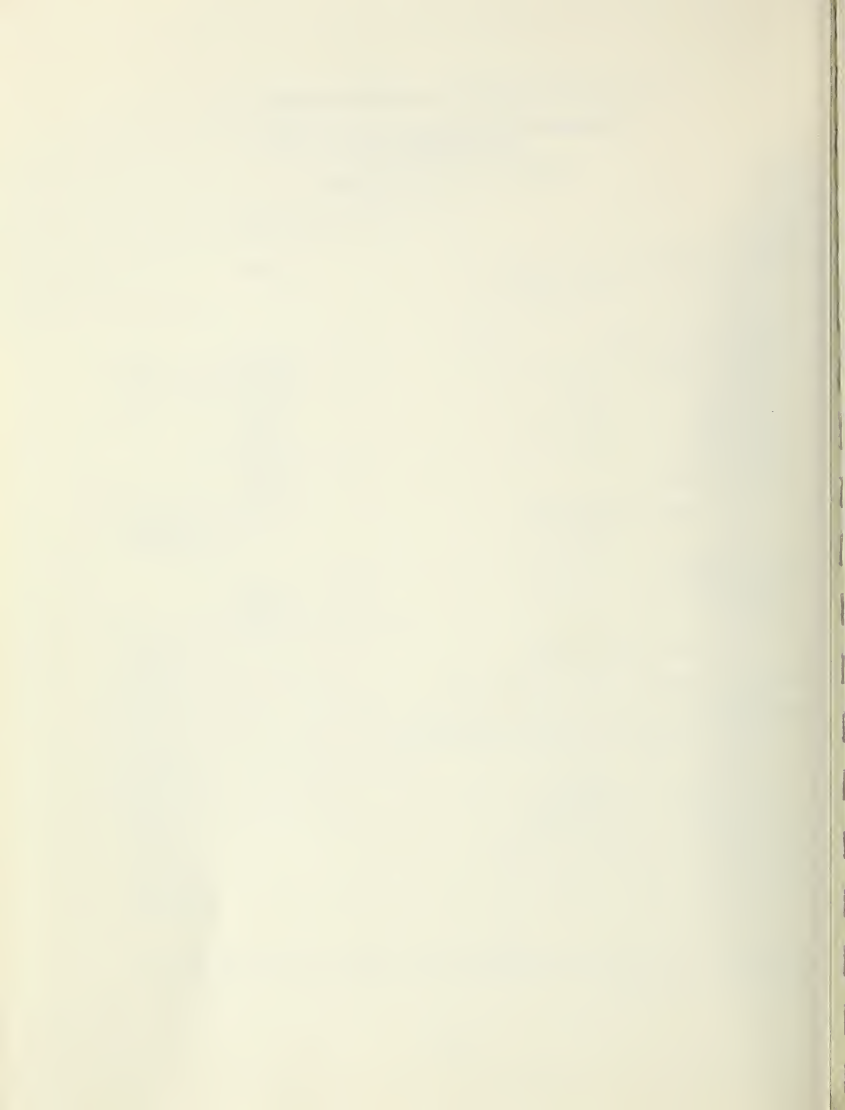
San Francisco Community College District

STATEMENT OF REVENUES AND EXPENDITURES
BOOKSTORE

Year ended June 30, 1979

Net sales	\$1,310,763	
Cost of goods sold	<u>987,697</u>	
Gross profit		\$323,066
Expenditures		
Salaries and wages	141,758	
Fringe benefits	14,177	
Payroll tax	16,228	
Insurance	9,716	
Discounts	1,474	
Cash short	1,094	
Bad debts	1,543	
Depreciation	2,479	
Miscellaneous	<u>13,162</u>	
Total expenditures		<u>201,631</u> 121,435
Other income		
Steno machine	900	
Interest	6,412	
Other	<u>6,346</u>	
Total other income		<u>13,658</u>
Excess of revenues over expenditures		<u>135,093</u>
Transfers - Associated Student Body Fund		(50,000)
- Bond Interest and Redemption Fund		<u>(20,450)</u>
Total transfers		<u>(70,450)</u>
Net increase in fund balance		64,643
Fund balance - beginning of year		<u>367,054</u>
Fund balance - end of year		<u>\$431,697</u>

Bookstore operations are conducted on a fiscal year ended May 15. Transactions between May 16 and June 30 do not materially affect the financial statements.



SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM

FINANCIAL STATEMENTS
AND
ACCOUNTANTS' REPORT

JUNE 30, 1977

HOOD AND STRONG
CERTIFIED PUBLIC ACCOUNTANTS
SAN FRANCISCO

HOOD AND STRONG

CERTIFIED PUBLIC ACCOUNTANTS

555 California Street-Suite 3280, San Francisco, Ca. 94104

TELEPHONE 781-0793

ACCOUNTANTS' REPORT

THE HONORABLE
JOHN C. FARRELL, Controller
CITY AND COUNTY OF SAN FRANCISCO

We have examined the statement of net assets available for plan benefits of the SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM as of June 30, 1977 and the related statement of changes in net assets available for plan benefits for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The market value of the investment in common and preferred stocks at June 30, 1977 was approximately 10-3/4% below cost. The market value of the investment in bonds at June 30, 1977 was approximately 11% below amortized cost. It is not determinable whether these declines are temporary or permanent in nature.

As explained in Note 9, the most recent actuarial valuation was made as of June 30, 1976, and the estimate of accumulated benefits as of that date, shown in Note 8 may not fairly present the total of accumulated benefits as of the balance sheet date, June 30, 1977.

In our opinion, subject to the ultimate realization of the carrying value of the stock and bond investments and except that the estimated liability disclosed in Note 8 for accumulated benefits may be understated, as discussed in the preceding paragraphs, the financial statements referred to above present fairly the financial position of the San Francisco City and County Employees' Retirement System at June 30, 1977 and the changes in net assets available for plan benefits for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hood and Strong

San Francisco, California
March 23, 1979

JUNE 30, 1977

3-

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR PLAN BENEFITS
YEAR ENDED JUNE 30, 1977

MEMBERS' CONTRIBUTIONS:

Normal:			
General	\$16,401,209		
Police	2,406,936		
Fire	<u>2,150,993</u>	\$20,959,138	
Additional		19,821	
Redeposit of withdrawn contributions		<u>149,850</u>	\$ 21,128,809

CITY AND COUNTY OF SAN FRANCISCO -
REGULAR CONTRIBUTIONS: (Note 2)

Current service reserves:			
General	43,331,930		
Police	26,310,814		
Fire	<u>21,677,362</u>	91,320,106	
Current service benefits:			
Police	590,515		
Fire	<u>4,137,599</u>	4,728,114	
Prior service benefits:			
General	508,092		
Police	677,118		
Fire	<u>1,228,100</u>	<u>2,413,310</u>	98,461,530

INVESTMENT EARNINGS:

Bond interest earned		34,634,514	
Dividends		6,185,864	
Gain (loss) on investments:			
Stocks	532,576		
Bonds	(3,587,326)		
Other	(<u>44,711</u>)	(<u>3,099,461</u>)	37,720,917

CITY AND COUNTY OF SAN FRANCISCO -
OTHER CONTRIBUTIONS:

For administrative expenses - (contra)		1,570,069	
For compensation costs incurred - (contra)		<u>4,348,395</u>	<u>5,918,464</u>
TOTAL ADDITIONS (Carried forward)			163,229,720

The accompanying notes are an integral
part of this statement.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR PLAN BENEFITS
YEAR ENDED JUNE 30, 1977

(Continued)

TOTAL ADDITIONS (Brought forward)			<u>\$163,229,720</u>
DISBURSEMENTS TO MEMBERS AND BENEFICIARIES:			
Allowances and benefits paid from accumulated contributions:	(Note 7):		
Members		\$ 9,853,404	
City and County of San Francisco:			
Current service		62,554,054	
Prior service		2,603,639	
Cost of living benefits		2,915,952	
Permanent fund benefits		<u>17,706</u>	\$77,944,755
Accumulated contributions withdrawn			<u>2,848,153</u> 80,792,909
EXPENDITURES FROM ALTA D LADUC BEQUEST			1,303
ADMINISTRATIVE EXPENSES PAID:			
General - (contra)		1,570,069	
Investment		218,817	
State Teachers' Transfer Project		<u>84,561</u>	1,873,447
COMPENSATION COSTS INCURRED - (contra):			
Weekly benefits		1,905,750	
Medical expenses		<u>2,501,798</u>	4,407,548
Reimbursement from special funds			<u>59,153</u> 4,348,395
TOTAL DEDUCTIONS			<u>87,016,053</u>
NET ADDITIONS			76,213,667
NET ASSETS AVAILABLE FOR PLAN BENEFITS - June 30, 1976			<u>724,412,721</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS - June 30, 1977			<u>\$800,626,388</u>

The accompanying notes are an integral
part of this statement.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1977

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Method of Accounting:

The accounts of the San Francisco City and County Employees' Retirement System are maintained on the accrual basis.

b. Investments:

Stocks are carried at cost. Bonds are carried at cost adjusted for the amortization of premium and discount. Premium and discount are amortized ratably over the terms of the bonds using a level yield method. Security transactions are recorded as of the trade date.

c. Actuarial Valuation:

Under the provisions of the Charter of the City and County of San Francisco, an actuarial valuation is made every even-numbered year. Actuarial calculations are based on the aggregate method of funding in accordance with the Charter.

d. Compensation Claims:

No liability is accrued for estimated compensation claims pending under the workmen's compensation laws of the State of California. Such claims are paid by the Retirement System and reimbursed by the City and County of San Francisco in each annual appropriation ordinance.

e. Unfunded Benefits:

Reserves are not provided to meet pension requirements for current or prior service of policemen retired under Charter Section 8.540 or firemen retired under Charter Section 8.565 nor for prior service of other members. These benefits are provided out of current contributions of the City and County of San Francisco. The estimated requirements for these

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1977
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

e. Unfunded Benefits (Continued):

unfunded benefits at June 30, 1976, which is the latest actuarial valuation, were \$55,272,412 based on an actuarial survey at that date. This amount is included in the total of accumulated benefits of \$1,271,847,000 mentioned in Note 8.

NOTE 2 - CITY AND COUNTY OF SAN FRANCISCO CONTRIBUTIONS:

Contributions of the City and County of San Francisco are determined in accordance with the Charter provisions. In the case of members contributing under the matching plan provided under Charter Section 8.507, the City and County of San Francisco contributes amounts equal to the members' normal contributions. Contributions on behalf of members who joined the system prior to November 1, 1976 are computed at rates established by the consulting actuary. For the period July 1, 1976 through June 30, 1977, the rates were:

Department	Charter Section	Rate
Police Department	8.559	73.897%
Fire Department	8.585	67.093%
Miscellaneous	8.509	18.426%

Proposition L, provided for the creation of three new plans for those police, fire and miscellaneous members who joined the System after November 1, 1976. The consulting actuary established rates for the contributions of the City and County on behalf of these members for the period November 1, 1976 through June 30, 1977 as follows:

Department	Charter Section	Rate
Police Department	8.586	54.45%
Fire Department	8.588	48.64%
Miscellaneous	8.584	14.30%

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1977
(Continued)

NOTE 2 - CITY AND COUNTY OF SAN FRANCISCO CONTRIBUTIONS (Continued):

a. City and County of San Francisco Contributions
and Reimbursements Receivable:

A summary of the balances due from the City and County of San Francisco at June 30, 1977 is as follows:

City and County contributions due from public utilities and special funds	\$ 3,280,527
Due from special funds:	
Compensation costs	761,763
Survey and administrative expenses	95,510
Due from general fund:	
Retirement costs	<u>11,049,418</u>
	<u>\$15,187,218</u>

The amount of City and County of San Francisco contributions due from public utilities and special funds represents the portion of retirement contributions for the year ended June 30, 1977 for which cash transfers were made after that date.

b. City and County of San Francisco Contributions
Reserved for Benefits not Otherwise Funded:

City and County of San Francisco contributions reserved for prior and current service benefits not otherwise funded, amounting to \$9,478,389, consist of unallocated funds retained by the System, as provided by an ordinance effective June 30, 1946, plus annual additions for City and County of San Francisco contributions released as a result of withdrawal or death of members who were participating under matching plans, and interest credited. Allocations are made from these funds to the reserve for disability pensions in order to increase this reserve to the present value of the current service portion of disability pensions for retired members. These funds are also reduced annually for certain death benefits of active and retired members and for the restoration of matching contributions in connection with the redeposit of members' contributions previously withdrawn.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1977
(Continued)

NOTE 3 - BOND INVESTMENTS:

Bonds owned by the System are held in the joint custody of the Controller and the Treasurer of the City and County of San Francisco.

Amortized cost of bonds held at June 30, 1977, was approximately \$60,000,000 in excess of the market value at that date. See Note 9.

NOTE 4 - STOCK INVESTMENTS:

Stock certificates are held in the joint custody of the Controller and Treasurer of the City and County of San Francisco. The market value of stock investments held on June 30, 1977 was \$154,678,350 which was approximately 10-3/4% below cost. Subsequent to June 30, 1977 the following has occurred:

	Proceeds of Stocks Sold Between July 1, 1977 and December 31, 1978	Stocks Still Retained as of December 31, 1978	Total
Market Value	<u>\$69,428,823</u>	<u>\$81,530,746</u>	<u>\$150,959,569</u>
Cost			<u>\$173,467,220</u>
Percent Cost in Excess of Market Value			<u>13%</u>

NOTE 5 - NET ASSETS AVAILABLE FOR CURRENT SERVICE
BENEFITS GRANTED AND NOT YET GRANTED:

a. Granted:

This account represents the accumulated contributions transferred to provide annuities and pensions for current service to retired members or their beneficiaries, plus interest, less benefits paid.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1977
(Continued)

NOTE 5 - NET ASSETS AVAILABLE FOR CURRENT SERVICE
BENEFITS GRANTED AND NOT YET GRANTED (Continued):

a. Granted (Continued):

In 1970, the Retirement Board established a reserve for cost of living increases. Changes in this account during the year under review were as follows:

Balance - June 30, 1976	\$7,532,133
Interest credited during year	305,342
Transfers upon retirement of members	3,510,224
Benefits paid	(<u>2,915,952</u>)
Balance - June 30, 1977	<u>\$8,431,747</u>

b. Not Yet Granted:

City and County of San Francisco accumulated contributions for current service benefits not yet granted increased from a deficit of (\$3,071,472) at June 30, 1976 to \$2,443,098 at June 30, 1977, due to a decline in retirements and an increase in the City's contribution rates.

NOTE 6 - CONTINGENCY RESERVE AGAINST ADVERSE EXPERIENCE:

The contingency reserve against adverse experience represents the excess of investment income and gains realized over interest credited to accumulated contributions and reserve accounts at the rates established by the Retirement Board. This reserve was established to meet possible deficiencies in interest of future years, losses on investments, and other contingencies, as approved by the Retirement Board in 1949.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1977

(Continued)

NOTE 6 - CONTINGENCY RESERVE AGAINST ADVERSE EXPERIENCE (Continued):

Changes in the contingency reserve during the year ended June 30, 1977, were as follows:

BALANCE - June 30, 1976		\$15,739,950
Bond interest earned	\$34,634,514	
Dividend income	6,185,864	
Gain on sale of stocks	532,576	
(Loss) on sale of bonds	(3,587,326)	<u>37,765,628</u>
		53,505,578
LESS:		
Interest credited to accumulated contributions and reserves for fiscal 1977		<u>34,453,339</u>
BALANCE - June 30, 1977		<u><u>\$19,052,239</u></u>

NOTE 7 - ALLOWANCES AND BENEFITS PAID
FROM ACCUMULATED CONTRIBUTIONS:

A summary of the benefits paid during the year is as follows:

Service retirements	\$49,153,823
Disability retirements	18,663,493
Industrial death allowances	2,986,360
Death benefits to members' beneficiaries	1,654,949
Death benefits to beneficiaries of retired employees	2,552,472
Cost of living benefits	2,915,952
Permanent fund benefits	<u>17,706</u>
	<u><u>\$77,944,755</u></u>

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1977
(Continued)

NOTE 8 - ACCUMULATED BENEFITS:

The consulting actuary has calculated the total current value of accumulated benefits as of June 30, 1976, the date of the latest actuarial valuation, at \$1,271,847,000 based on the census data on that date. This amount represents the present value, discounted at 5.0% of pension benefits accumulated by individual participants, including retirees, based on their salary and service to June 30, 1976. It includes benefits earned assuming immediate 100% vesting, and is adjusted to reflect estimated mortality.

Net assets available for plan benefits at June 30, 1976 amounted to \$724,412,721.

The method used in calculating accrued benefits which assumes immediate 100% vesting is in contrast to another method which assumes continuation of the plan. Calculations assuming plan continuation could result in a larger amount of accrued benefits at June 30, 1976 but in the opinion of the consulting actuary involves significant risk factors relating to assumptions pertaining to future occurrences.

NOTE 9 - SUBSEQUENT EVENTS:

The latest actuarial valuation and investigation submitted to the Retirement Board February 24, 1978 was completed based upon membership data as of June 30, 1976 and a change in the interest assumption from 4-3/4% to 5% as of July 1, 1977, pursuant to the Retirement Boards' action. It also took into account the changes in benefits provided by the System, including those which became effective after the valuation date of June 30, 1976 and were in effect February 24, 1978.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1977
(Continued)

NOTE 9 - SUBSEQUENT EVENTS (Continued):

Effective July 1, 1978, funding of cost of living benefits was changed from the Partial Funding Method to the Stronger Funding Method. In addition, salary scale assumptions have been increased from 3/4% to 2% inflation plus, as before, merit and longevity increases. The 1978 changes are to be phased in over four years.

Based upon the foregoing changes in the City Charter and changes in the actuarial assumptions, together with proposed funding of the \$55,272,412 referred to in Note 1 under "Unfunded Benefits", the consulting actuary has recommended the following new contribution rates for the City and County of San Francisco:

Department	Charter Section	Rate Effective July 1,		
		1977	1978	1979*
Plan in effect June 30, 1975:				
Police Department	8.559	71.62%	86.65%	102.05%
Fire Department	8.585	65.17%	89.75%	105.56%
Miscellaneous	8.509	17.86%	20.05%	23.10%
Plan created by Proposition L:				
Police Department	8.586	53.01%	54.64%	55.16%
Fire Department	8.588	47.51%	49.19%	49.99%
Miscellaneous	8.584	13.82%	14.70%	15.69%

* Interest rate assumption changed to 5-1/2% from 5% effective July 1, 1979.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1977
(Continued)

NOTE 9 - SUBSEQUENT EVENTS (Continued):

Subsequent to June 30, 1977, the Retirement System in the area of investments, has effected the following:

1. Invested in real estate ventures.
2. Disposed of certain low-yielding bonds, having a par value of \$80,080,000, at a realized loss of \$5,766,000 and re-invested the proceeds in higher yielding bonds.

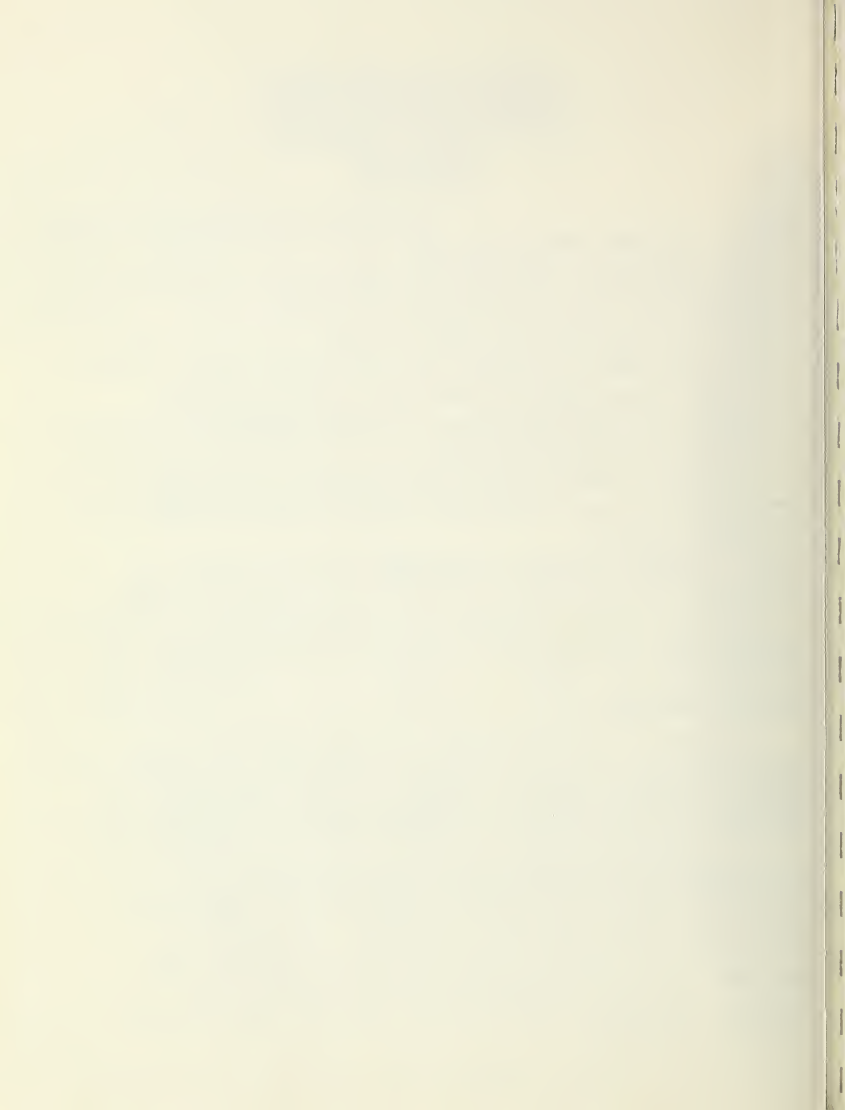
The Retirement System intends to dispose of additional low-yielding bonds and re-invest the proceeds in higher yielding investments.

In the opinion of the Management of the Retirement System, the losses sustained, in relation to the earnings resulting from the re-investment of the proceeds, will not reduce the overall annual earnings of the Fund below the assumed actuarial rate of return.

NOTE 10 - LITIGATION:

The City and County of San Francisco is involved in litigation relating to claims for retroactive (and future) retirement benefits for certain retired San Francisco policemen and firemen in amounts not material to the accompanying financial statements.

Although the litigation involves the City and County, the Retirement System itself would be liable for \$400,000 of retroactive benefits and \$120,000 in additional annual payments should the claimants ultimately be successful. The lawsuit by the claimants was dismissed by the Courts and the plaintiffs have appealed. However, in the opinion of the San Francisco City Attorney, the chances of the plaintiffs having this matter reversed on appeal are minimal.



SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM

FINANCIAL STATEMENTS
AND
ACCOUNTANTS' REPORT

JUNE 30, 1978

HOOD AND STRONG
CERTIFIED PUBLIC ACCOUNTANTS
SAN FRANCISCO

HOOD AND STRONG

CERTIFIED PUBLIC ACCOUNTANTS

555 California Street-Suite 3280, San Francisco, Ca. 94104

TELEPHONE 781-0793

ACCOUNTANTS' REPORT

TO THE HONORABLE
JOHN C. FARRELL, Controller
CITY AND COUNTY OF SAN FRANCISCO
San Francisco, California

We have examined the statement of net assets available for plan benefits of the SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM as of June 30, 1978 and the related statement of changes in net assets available for plan benefits for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The market value of the investment in common and preferred stocks at June 30, 1978 was approximately 15% below cost. The market value of the investment in bonds at June 30, 1978 was approximately 17% below amortized cost. It is not determinable whether these declines are temporary or permanent in nature.

In our opinion, subject to the ultimate realization of the carrying value of the stock and bond investments as discussed in the preceding paragraph, the financial statements referred to above present fairly the financial position of the San Francisco City and County Employees' Retirement System at June 30, 1978 and the changes in net assets available for plan benefits for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hood and Strong

San Francisco, California
May 12, 1980

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
JUNE 30, 1978

INVESTMENTS:		ASSETS		LIABILITIES	
Bonds - at amortized cost (par value \$936,179,155):				TAX APPROPRIATIONS IN EXCESS OF CURRENT REQUIREMENTS - PAYABLE TO THE CITY AND COUNTY OF SAN FRANCISCO	\$ 738,445
United States Government	\$106,990,683			ACCUMULATED CONTRIBUTIONS DUE TO FORMER MEMBERS	23,261
California Government	29,776,580				<u>160,831</u>
Insurance Companies	776,580			ADMINISTRATIVE COSTS	
Public utilities	232,267,034			NET ASSETS AVAILABLE FOR PLAN BENEFITS:	
Railroads	19,806,400			For current service benefits	
Industrial companies	95,805,077			Granted: retirements:	
Financial	109,866,725			Savings	85,417,262
International Bank for Reconstruction and Development	11,348,993	\$626,562,551		Annuities	311,012,222
				Disability retirements:	
Stocks - at cost:				Pensions	17,207,602
(market value \$129,168,342):				Annuities	190,178,072
Common	149,065,247	152,065,247		Indemnity death allowances:	
Preferred	<u>3,000,000</u>			Annuities	1,430,958
Short-term commercial notes - at cost, which approximates market value		57,609,000		Cost of living allowances	11,677,789
Real estate limited partnership - at cost		<u>20,000,000</u>		Permanent fund allowance	8,346,507
					<u>183,064</u>
					625,453,476
RECEIVABLES:				For current service benefits not yet granted:	
Employees' contributions in process of collection	1,413,953	856,236,798		Members' accumulated contributions City and County of San Francisco	196,225,418
City and County of San Francisco contribution and reimbursements	3,184,068			accumulated contributions	<u>23,504,473</u>
Bond interest accrued	11,054,708				845,183,367
Receivable from sale of securities	<u>3,897,137</u>	19,549,866		City and County of San Francisco contributions reserved for benefits not yet granted	9,939,695
				Contingency reserve against adverse experience	21,606,709
				Alta D. LaDue bequest	<u>10,553</u>
CASH					876,740,324
					<u>\$877,662,861</u>

The accompanying notes are an integral part of this statement.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR PLAN BENEFITS
YEAR ENDED JUNE 30, 1978

MEMBERS' CONTRIBUTIONS:

General	\$17,005,175		
Police	2,096,686		
Fire	<u>1,889,328</u>	\$20,991,189	
Additional		21,894	
Redeposit of withdrawn contributions		<u>93,932</u>	\$ 21,107,015

CITY AND COUNTY OF SAN FRANCISCO
CONTRIBUTIONS:

Current service reserves:			
General	49,698,205		
Police	22,584,574		
Fire	<u>18,774,726</u>	91,057,505	
Current service benefits:			
Police	507,790		
Fire	<u>3,644,103</u>	4,151,893	
Prior service benefits:			
General	755,641		
Police	651,008		
Fire	<u>1,187,268</u>	<u>2,593,917</u>	97,803,315

INVESTMENT EARNINGS:

Bond interest earned		42,614,486	
Dividends		6,449,064	
(Loss) on disposition of investments:			
Stocks	(2,638,693)		
Bonds	(<u>4,018,200</u>)	(<u>6,656,893</u>)	<u>42,406,657</u>
			161,316,987

BEQUEST FROM FLORENCE SODERLAND

1,646

CITY AND COUNTY OF SAN FRANCISCO -
OTHER CONTRIBUTIONS:

For administrative expenses - (contra)		2,096,168	
For compensation costs incurred - (contra)		<u>3,592,911</u>	<u>5,689,079</u>
TOTAL ADDITIONS (Carried forward)			\$167,007,712

The accompanying notes are an integral part of this statement.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR PLAN BENEFITS
YEAR ENDED JUNE 30, 1978
(Continued)

TOTAL ADDITIONS (Brought forward)			\$167,007,712
DISBURSEMENTS TO MEMBERS AND BENEFICIARIES:			
Allowances and benefits paid from accumulated contributions:			
Members	\$10,583,704		
City and County of San Francisco:			
Current service	64,448,903		
Prior service	2,576,114		
Cost of living benefits	4,054,997		
Permanent fund benefits	<u>20,795</u>	\$81,684,513	
Accumulated contributions withdrawn		<u>3,099,769</u>	84,784,282
TRANSFER TO P.E.R.S. FOR DEPUTY SHERIFFS			100,843
ADMINISTRATIVE EXPENSES PAID:			
General - (contra)	2,096,168		
Investment	268,232		
State Teachers' Transfer Project	<u>51,340</u>		2,415,740
COMPENSATION COSTS INCURRED - (contra):			
Weekly benefits	1,541,223		
Medical expenses	<u>2,123,654</u>	3,664,877	
Reimbursement from special funds		<u>71,966</u>	<u>3,592,911</u>
TOTAL DEDUCTIONS			<u>90,893,776</u>
NET ADDITIONS			76,113,936
NET ASSETS AVAILABLE FOR PLAN BENEFITS - June 30, 1977			<u>800,626,388</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS - June 30, 1978			<u>\$876,740,324</u>

The accompanying notes are an integral part of this statement.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Method of Accounting:

The accounts of the San Francisco City and County Employees' Retirement System are maintained on the accrual basis.

b. Investments:

Stocks are carried at cost. Bonds are carried at cost adjusted for the amortization of premium and discount. Premium and discount are amortized ratably over the terms of the bonds using a level yield method. Security transactions are recorded as of the trade date.

Real estate limited partnerships are carried at cost during the first year of investment, with use of the equity method, thereafter.

c. Actuarial Valuation:

Under the provisions of the Charter of the City and County of San Francisco, an actuarial valuation is made every even-numbered year. Actuarial calculations are based on the aggregate method of funding in accordance with the Charter.

d. Compensation Claims:

No liability is accrued for estimated compensation claims pending under the workmen's compensation laws of the State of California. Such claims are paid by the Retirement System and reimbursed by the City and County of San Francisco in each annual appropriation ordinance.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

e. Unfunded Benefits:

Previously reserves were not provided to meet pension requirements for current or prior service of policemen retired under Charter Section 8.540 or firemen retired under Charter Section 8.565 nor for prior service of other members. These benefits were provided out of current contributions of the City and County of San Francisco. Effective July 1, 1978, however, those prior service liabilities are being funded under the regular current funding of the Retirement System. The estimated requirements for these unfunded benefits at June 30, 1978 were \$55,332,000 based on an actuarial survey at that date. This amount is included in the total current value of accumulated benefits of \$1,382,463,000 mentioned in Note 9.

NOTE 2 - CITY AND COUNTY OF SAN FRANCISCO CONTRIBUTIONS:

Contributions of the City and County of San Francisco are determined in accordance with the Charter provisions. In the case of members contributing under the matching plan provided under Charter Section 8.507, the City and County of San Francisco contributes amounts equal to the members' normal contributions. Contributions on behalf of members who joined the system prior to November 1, 1976, are computed at rates established by the consulting actuary. For the period July 1, 1977 through June 30, 1978, the rates were:

Department	Charter Section	Rate
Police Department	8.559	71.62%
Fire Department	8.585	65.17%
Miscellaneous	8.509	17.86%

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 2 - CITY AND COUNTY OF SAN FRANCISCO CONTRIBUTIONS (Continued):

Proposition L, provided for the creation of three new plans for those police, fire and miscellaneous members who joined the System after November 1, 1976. The consulting actuary established rates for the contributions of the City and County on behalf of these members for the period July 1, 1977 through June 30, 1978 as follows:

Department	Charter Section	Rate
Police Department	8.586	53.01%
Fire Department	8.588	47.51%
Miscellaneous	8.584	13.82%

a. City and County of San Francisco Contributions
and Reimbursements Receivable:

A summary of the balances due from the City and County of San Francisco at June 30, 1978 is as follows:

City and County contributions due (to) public utilities and special funds	(\$1,048,783)
Due from special funds:	
Compensation costs	300,195
Survey and administrative expenses	175,056
Due from general fund:	
Retirement costs	3,757,600
	<u>\$3,184,068</u>

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 2 - CITY AND COUNTY OF SAN FRANCISCO CONTRIBUTIONS (Continued):

b. City and County of San Francisco Contributions
Reserved for Benefits Not Otherwise Funded:

City and County of San Francisco contributions reserved for prior and current service benefits not otherwise funded, amounting to \$9,939,695, consist of unallocated funds retained by the System, as provided by an ordinance effective June 30, 1946, plus annual additions for City and County of San Francisco contributions released as a result of withdrawal or death of members who were participating under matching plans, and interest credited. Allocations are made from these funds to the reserve for disability pensions in order to increase this reserve to the present value of the current service portion of disability pensions for retired members. These funds are also reduced annually for certain death benefits of active and retired members and for the restoration of matching contributions in connection with the redeposit of members' contributions previously withdrawn.

NOTE 3 - BOND INVESTMENTS:

Bonds owned by the System are held in the joint custody of the Controller and the Treasurer of the City and County of San Francisco.

Amortized cost of bonds held at June 30, 1978, was approximately \$104,000,000 in excess of the market value at that date.

NOTE 4 - STOCK INVESTMENTS:

Stock certificates are held in the joint custody of the Controller and Treasurer of the City and County of San Francisco. The market value of stock investments held on June 30, 1978 was \$129,168,342 which was approximately 15% below cost (approximately \$23,000,000). Subsequent to June 30, 1978 the following has occurred:

Proceeds of Stocks Sold Between July 1, 1978 and February 29, 1980		Stocks Still Retained as of February 29, 1980	Total
Market Value	<u>\$78,112,726</u>	<u>\$58,102,090</u>	<u>\$136,214,816</u>
			<u>\$152,065,247</u>
Percent Cost in Excess of Market Value			<u>10%</u>

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 - REAL ESTATE LIMITED PARTNERSHIP INVESTMENT:

The Retirement System invested \$20,000,000 during the fiscal year ended June 30, 1978 and committed an additional \$20,000,000 to CB Institutional Fund III, A California real estate limited partnership. The Retirement System has a 72% interest in the partnership and its unrecognized share (See Note 1b) of the initial period's operating income (May 1 - June 30, 1979) amounted to \$199,000. The Retirement System's share of the current value of the investment at June 30, 1978 as disclosed in the financial statements of CB Institutional Fund III was \$20,228,000, amounting to \$228,000 above its investment at cost.

NOTE 6 - NET ASSETS AVAILABLE FOR CURRENT SERVICE
BENEFITS GRANTED AND NOT YET GRANTED:

a. Granted:

This account represents the accumulated contributions transferred to provide annuities and pensions for current service to retired members or their beneficiaries, plus interest, less benefits paid.

In 1970, the Retirement Board established a reserve for cost of living increases. Changes in this account during the year under review were as follows:

Balance - June 30, 1977	\$8,431,747
Interest credited during year	339,210
Transfers upon retirement of members	3,630,547
Benefits paid	(4,054,997)
Balance - June 30, 1978	<u>\$8,346,507</u>

b. Not Yet Granted:

This account represents the accumulated contributions, plus interest, to provide for future annuities and pensions for currently active members.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 7 - CONTINGENCY RESERVE AGAINST ADVERSE EXPERIENCE:

The contingency reserve against adverse experience represents the excess of investment income and gains realized over interest credited to accumulated contributions and reserve accounts at the rates established by the Retirement Board. This reserve was established to meet possible deficiencies in interest of future years, losses on investments, and other contingencies, as approved by the Retirement Board in 1949.

Changes in the contingency reserve during the year ended June 30, 1978, were as follows:

BALANCE - June 30, 1977		\$19,052,239
ADD:		
Bond interest earned	\$42,614,486	
Dividend income	6,449,064	
(Loss) on sale of stocks	(2,638,693)	
(Loss) on sale of bonds	(<u>4,018,200</u>)	<u>42,406,657</u>
		61,458,896
LESS:		
Interest credited to accumulated contributions and reserves for fiscal 1978		<u>39,852,187</u>
BALANCE - June 30, 1978		<u><u>\$21,606,709</u></u>

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 8 - ALLOWANCES AND BENEFITS PAID
FROM ACCUMULATED CONTRIBUTIONS:

A summary of the benefits paid during the year is as follows:

Service retirements	\$50,299,435
Disability retirements	20,177,233
Industrial death allowances	2,830,868
Death benefits to members' beneficiaries	1,459,668
Death benefits to beneficiaries of retired employees	2,841,517
Cost of living benefits	4,054,997
Permanent fund benefits	<u>20,795</u>
	<u>\$81,684,513</u>

NOTE 9 - ACCUMULATED BENEFITS:

The consulting actuary has calculated the total current value of accumulated benefits as of June 30, 1978 at \$1,382,463,000 based on the census data on that date (See Note 11). This amount represents the present value, discounted at 6.0% of pension benefits accumulated by individual participants, including retirees, based on their salary and service to June 30, 1978. It includes benefits earned assuming immediate 100% vesting, and is adjusted to reflect estimated mortality.

Net assets available for plan benefits at June 30, 1978 amounted to \$876,740,324. This amount, as indicated in Notes 3, 4 and 5, was approximately \$127,000,000 above market and current fair values of the investments at June 30, 1978.

The method used in calculating accrued benefits assumes the immediate discontinuation of the Plan and therefore immediate 100% vesting as opposed to assuming continuation of the Plan. Calculations assuming Plan continuation could result in a larger amount of accrued benefits at June 30, 1978, but in the opinion of the consulting actuary involves significant risk factors relating to assumptions pertaining to future occurrences.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 10 - LITIGATION:

The City and County of San Francisco is involved in litigation relating to claims for retroactive (and future) retirement benefits for certain retired San Francisco policemen and firemen in amounts not material to the accompanying financial statements.

Although the litigation involves the City and County, the Retirement System itself would be liable for \$400,000 of retroactive benefits and \$125,000 in additional annual payments should the claimants ultimately be successful. The lawsuit by the claimants was dismissed by the Courts and the plaintiffs have appealed. However, in the opinion of the San Francisco City Attorney, the City's position and the trial court decision will be affirmed on appeal.

The Retirement System is involved in a claim and counter claim with the San Francisco Unified School District. As of June 30, 1972 their teachers were given the choice to stay with the San Francisco Employees' Retirement System (S.F.E.R.S.) or they could elect to transfer to the State Teachers Retirement System (S.T.R.S.). Those teachers electing to do so were transferred to the S.T.R.S. Final settlement has not been made as the S.F.E.R.S. has made a claim for \$1,031,033 for various costs, including interest occurring subsequent to that date. The San Francisco Unified School District claims that the balance in the Contingency Reserve Against Adverse Experience at June 30, 1972, should be used to cover the S.F.E.R.S. claim. They claim that the teachers represented 27.25% of the total miscellaneous member contributions as of June 30, 1972. The contingency reserve was \$15,493,543. To date these issues have not been resolved.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 11 - SUBSEQUENT EVENTS:

a. Contribution Rates July 1, 1978 - June 30, 1980:

The actuarial valuation and investigation submitted to the Retirement Board February 24, 1978 was completed based upon membership data as of June 30, 1976 and made the following changes:

- ...increased interest assumption from 4-3/4% to 5% for the year ended June 30, 1979 and to 5-1/2% for the year ended June 30, 1980.
- ...began funding recognition of prior service liabilities of \$55,332,000.
- ...funding of cost of living benefits from the Partial Funding Method to the Stronger Funding Method.
- ...increased salary scale inflation assumptions from 3/4% to 2%, for the year ended June 30, 1979 to 2-1/2% for the year ended June 30, 1980 plus, as before, merit and longevity increases.

Based upon those changes, the consulting actuary recommended the following contribution rates for the City and County of San Francisco for the fiscal years ended June 30, 1979 and 1980:

Department	Rate	
	1979	1980
Plan in effect June 30, 1975:		
Police Department	86.65%	102.05%
Fire Department	89.75%	105.56%
Miscellaneous	20.05%	23.10%
Plan created by Proposition L:		
Police Department	54.64%	55.16%
Fire Department	49.19%	49.99%
Miscellaneous	14.70%	15.69%

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 11 - SUBSEQUENT EVENTS (Continued):

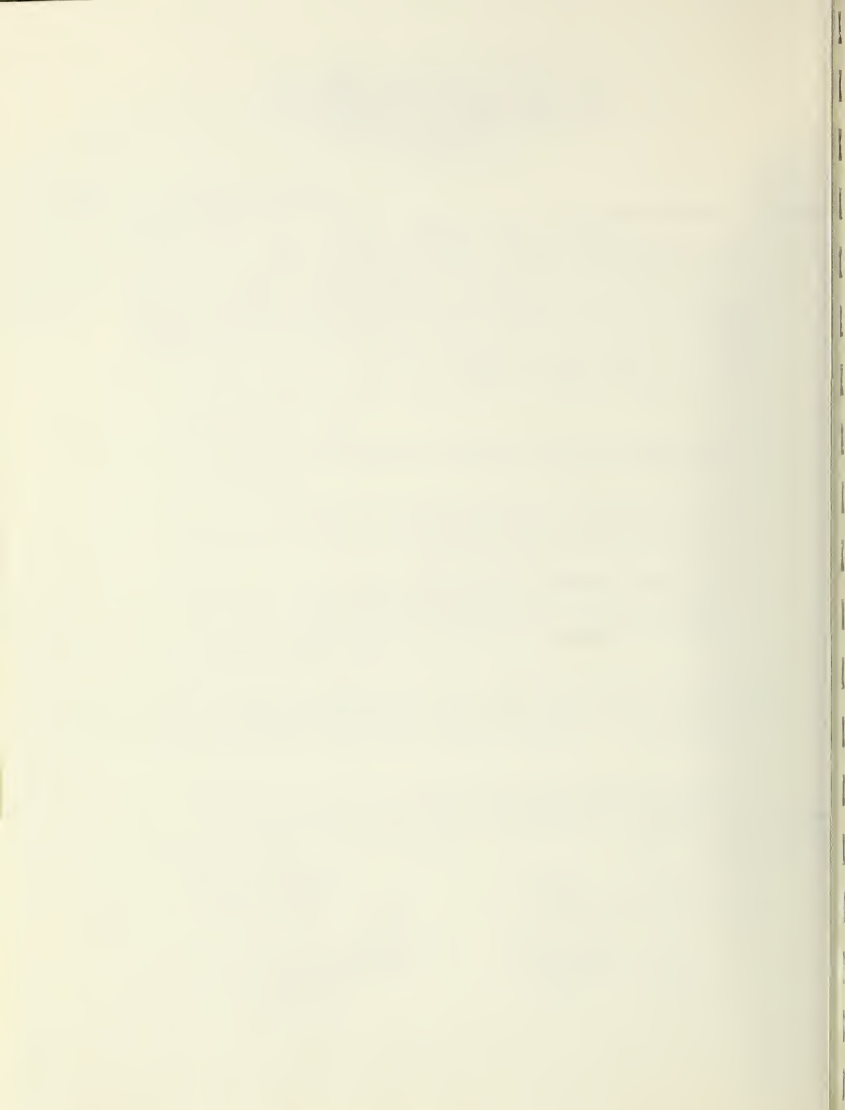
b. Contribution Rates July 1, 1980 - June 30, 1981:

The actuarial valuation and investigation submitted to the Retirement Board December 12, 1979 was completed based upon membership data as of June 30, 1978 and the Retirement Board adopted the following changes:

- ...increased interest assumption from 5-1/2% to 6%.
- ...utilizes the full funding method for cost of living benefits and the stronger funding method for fluctuating benefits.
- ...developed composite contribution rates for the pre-November 1, 1976 plan and the plan effective November 1, 1976 created by Proposition L.
- ...increased salary scale inflation assumption from 2-1/2% to 3%, plus, as before, merit and longevity increases.

Based upon the foregoing changes the Retirement Board adopted the following contribution rates for the fiscal year ending June 30, 1981:

Department	Rate
Police Department	100.84%
Fire Department	100.35%
Miscellaneous	23.12%



SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM

FINANCIAL STATEMENTS
AND
ACCOUNTANTS' REPORT

JUNE 30, 1979

HOOD AND STRONG
CERTIFIED PUBLIC ACCOUNTANTS
SAN FRANCISCO

ACCOUNTANTS' REPORT

TO THE HONORABLE
JOHN C. FARRELL, Controller
CITY AND COUNTY OF SAN FRANCISCO
San Francisco, California

We have examined the statement of net assets available for plan benefits of the SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM as of June 30, 1979 and the related statement of changes in net assets available for plan benefits for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The market value of the investment in bonds at June 30, 1979 was approximately 15% below amortized cost. It is not determinable whether this decline is temporary or permanent in nature.

In our opinion, subject to the ultimate realization of the carrying value of the bond investments as discussed in the preceding paragraph, the financial statements referred to above present fairly the financial position of the San Francisco City and County Employees' Retirement System at June 30, 1979 and the changes in net assets available for plan benefits for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hood and Strong

San Francisco, California
September 15, 1980

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
JUNE 30, 1979

ASSETS

INVESTMENTS:

Bonds - at amortized cost (par value \$672,124,500):	
United States Government	\$108,047,140
Canadian Government	33,336,797
Insurance companies	263,524,812
Public utilities	18,019,631
Railroads	114,823,374
Industrial companies	109,941,796
Financial	<u>11,349,017</u>
International Bank for Reconstruc- tion and Development	\$659,858,418
Common stocks - at cost:	
(market value \$191,417,000):	195,758,396
Short-term commercial notes - at cost, which approximates market value	48,058,000
Real estate limited partnership	<u>42,608,000</u>
Bond interest - at equity	946,282,814

RECEIVABLES:

Employees' contributions in process of collection	2,460,725
City and County of San Francisco contribution and reimbursements	12,455,108
Bond interest accrued	<u>11,958,979</u>
Receivable from sale of securities	529,000

\$973,686,626

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS AVAILABLE FOR PLAN BENEFITS

CREDIT BALANCES AGAINST TREASURER'S CASH	\$ 8,170,926
TAX APPROPRIATIONS IN EXCESS OF CURRENT REQUIREMENTS - PAYABLE TO THE CITY AND COUNTY OF SAN FRANCISCO	656,756
ACCUMULATED CONTRIBUTIONS DUE TO FORMER MEMBERS	23,261
ADMINISTRATIVE COSTS	<u>27,012</u>
	\$ 8,877,955

NET ASSETS AVAILABLE FOR PLAN BENEFITS:

For current service benefits granted:	
Service retirement benefits:	
Pensions	94,986,660
Disability retirements:	<u>343,277,978</u>
Annuities	18,746,349
Pensions	204,265,957
Industrial death allowances:	
Annuities	1,509,178
Pensions	10,644,076
Cost of living allowances	16,607,707
Permanent fund allowance	<u>223,304</u>
	690,261,409

For current service benefits

not yet granted:	
Unfunded accumulated contributions	204,662,519
City and County of San Francisco accumulated contributions	<u>35,316,278</u>
	930,240,206

City and County of San Francisco contributions - reserved for benefits not otherwise funded	10,411,961
Contingency reserve against adverse experience	24,145,951
Alta D. Labuc Bequest	<u>10,351</u>

\$964,808,671
\$973,686,626

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
YEAR ENDED JUNE 30, 1979

MEMBERS' CONTRIBUTIONS:			
General	\$18,035,293		
Police	2,296,747		
Fire	<u>2,259,579</u>	\$22,591,619	
Additional		19,809	
Redeposit of withdrawn contributions		<u>48,551</u>	\$ 22,659,979
CITY AND COUNTY OF SAN FRANCISCO CONTRIBUTIONS:			
General		55,174,951	
Police		27,246,670	
Fire		<u>26,435,935</u>	108,857,556
INVESTMENT EARNINGS:			
Bond interest		48,777,250	
Dividends		7,588,322	
(Loss) on disposition of investments:			
Stocks	(3,500,511)		
Bonds	(4,305,211)	(7,805,722)	
Equity in the earnings of real estate limited partnership		<u>2,608,000</u>	<u>51,167,850</u>
TOTAL ADDITIONS			<u>182,685,385</u>
DISBURSEMENTS TO MEMBERS AND BENEFICIARIES:			
Allowances and benefits paid from accumulated contributions:			
Members	12,042,895		
City and County of San Francisco:			
Current service	70,475,289		
Prior service	2,475,959		
Cost of living benefits	4,683,917		
Permanent fund benefits	<u>14,209</u>	89,692,269	
Accumulated contributions withdrawn		<u>4,584,969</u>	94,277,238
ADMINISTRATIVE EXPENSES ON INVESTMENTS			<u>339,800</u>
TOTAL DEDUCTIONS			<u>94,617,038</u>
NET ADDITIONS			88,068,347
NET ASSETS AVAILABLE FOR PLAN BENEFITS - June 30, 1978			<u>876,740,324</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS - June 30, 1979			<u>\$964,808,671</u>

The accompanying notes are an integral part of this statement.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Method of Accounting:

The accounts of the San Francisco City and County Employees' Retirement System are maintained on the accrual basis.

b. Investments:

Stocks are carried at cost. Bonds are carried at cost adjusted for the amortization of premium and discount. Premium and discount are amortized ratably over the terms of the bonds using a level yield method. Security transactions are recorded as of the trade date.

Real estate limited partnerships are carried at cost during the first year of investment, with use of the equity method, thereafter.

c. Actuarial Valuation:

Under the provisions of the Charter of the City and County of San Francisco, an actuarial valuation is made every even-numbered year. Actuarial calculations are based on the aggregate method of funding in accordance with the Charter.

NOTE 2 - CREDIT BALANCES AGAINST TREASURER'S CASH:

A separate bank account is not maintained by the Retirement System, but rather it has an equity interest in the City and County of San Francisco Treasurer's cash balances.

However, at June 30, 1979 the equity balance represented a negative amount. This resulted from warrants issued during June, 1979 in advance of funds transferred against the Treasurer's cash to the account of the Retirement System.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 3 - CITY AND COUNTY OF SAN FRANCISCO CONTRIBUTIONS:

Contributions of the City and County of San Francisco are determined in accordance with the Charter provisions. In the case of members contributing under the matching plan provided under Charter Section 8.507, the City and County of San Francisco contributes amounts equal to the members' normal contributions. Contributions on behalf of members who joined the system prior to November 1, 1976, are computed at rates established by the consulting actuary. For the period July 1, 1978 through June 30, 1979, the rates were:

Department	Charter Section	Rate
Police	8.559	86.65%
Fire	8.585	89.75%
Miscellaneous	8.509	20.05%

Proposition L provided for the creation of three new plans for those police, fire and miscellaneous members who joined the System after November 1, 1976. The consulting actuary established rates for the contributions of the City and County on behalf of these members for the period July 1, 1978 through June 30, 1979 as follows:

Department	Charter Section	Rate
Police	8.586	54.64%
Fire	8.588	49.19%
Miscellaneous	8.584	14.70%

The foregoing contribution rates reflect the following changes in actuarial assumptions for the year ended June 30, 1979 as recommended in the actuarial valuation and investigation submitted to the Retirement Board February 24, 1978 based upon membership data as of June 30, 1976:

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 3 - CITY AND COUNTY OF SAN FRANCISCO CONTRIBUTIONS (Continued):

- ...increased interest assumption from 4-3/4% to 5%.
- ...began funding recognition of prior service liabilities of \$55,332,000.
- ...funding of cost of living benefits from the Partial Funding Method to the Stronger Funding Method.
- ...increased salary scale inflation assumptions from 3/4% to 2% plus, as before, merit and longevity increases.

a. City and County of San Francisco Contributions and Reimbursements Receivable:

A summary of the balances due from the City and County of San Francisco at June 30, 1979 is as follows:

City and County contributions due (to)	
public utilities and special funds	(\$ 68,900)
Due from general fund:	
Retirement costs	12,524,008
	<u>\$12,455,108</u>

b. City and County of San Francisco Contributions Reserved for Benefits Not Otherwise Funded:

City and County of San Francisco contributions reserved for prior and current service benefits not otherwise funded, amounting to \$10,411,961, consist of unallocated funds retained by the System, as provided by an ordinance effective June 30, 1946, plus annual additions for City and County of San Francisco contributions released as a result of withdrawal or death of members who were participating under matching plans, and interest credited. Allocations are made from these funds to the reserve for disability pensions in order to increase this reserve to the present value of the current service portion of disability pensions for retired members. These funds are also reduced annually for certain death benefits

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 3 - CITY AND COUNTY OF SAN FRANCISCO CONTRIBUTIONS (Continued):

b. City and County of San Francisco Contributions Reserved
for Benefits Not Otherwise Funded:

of active and retired members and for the restoration of matching contributions in connection with the redeposit of members' contributions previously withdrawn.

NOTE 4 - BOND INVESTMENTS:

Bonds owned by the System are held in the joint custody of the Controller and the Treasurer of the City and County of San Francisco. As of August 29, 1980, custody was transferred to a local bank.

At June 30, 1979 the amortized cost of bonds was approximately 15% (\$99,000,000) in excess of market value. Subsequent to June 30, 1979 the following activity has occurred:

	Proceeds of bonds sold between July 1, 1979 and August 31, 1980	Bonds still retained as of August 31, 1980	Total
Market value	<u>\$69,243,000</u>	<u>\$475,790,000</u>	<u>\$545,033,000</u>
Amortized cost at June 30, 1979			<u>\$659,858,418</u>
Percent cost in excess of realization and market value			<u>17%</u>

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 - STOCK INVESTMENTS:

Stock certificates are held in the joint custody of the Controller and Treasurer of the City and County of San Francisco. As of August 29, 1980, custody was transferred to a local bank.

At June 30, 1979 the cost of stocks was 2% (\$4,341,396) in excess of market value. Subsequent to June 30, 1979 the following has occurred:

	Proceeds of Stocks Sold Between July 1, 1979 and August 31, 1980	Stocks Still Retained as of August 31, 1980	Total
Market value	<u>\$105,327,000</u>	<u>\$100,063,000</u>	<u>\$205,390,000</u>
Cost at June 30, 1979			<u>\$195,758,396</u>
Percent realization and market value in excess of cost			<u>5%</u>

NOTE 6 - REAL ESTATE LIMITED PARTNERSHIP INTEREST:

The Retirement System invested \$20,000,000 each during the fiscal years ended June 30, 1978 and 1979 in CB Institutional Fund III, a California real estate limited partnership. The Retirement System has a 72% interest in the partnership. During the year ended June 30, 1979 the Retirement System recognized \$2,608,000 as its share of the equity in the earnings of CB Institutional Fund III from inception at May 1, 1978 through June 30, 1979.

Capital investment	\$40,000,000
Equity in net earnings	<u>2,608,000</u>
Investment at equity	<u>\$42,608,000</u>

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 6 - REAL ESTATE LIMITED PARTNERSHIP INVESTMENT (Continued):

The Retirement System's share of the current value of the investment at June 30, 1979 as disclosed in the financial statements of CB Institutional Fund III was \$44,140,000 amounting to \$1,532,000 above its investment at equity.

NOTE 7 - NET ASSETS AVAILABLE FOR CURRENT SERVICE BENEFITS
GRANTED AND NOT YET GRANTED:

a. Granted:

This account represents the accumulated contributions transferred to provide annuities and pensions for current service to retired members or their beneficiaries, plus interest, less benefits paid.

In 1970, the Retirement Board established a reserve for cost of living increases. Changes in this account during the year under review were as follows:

Balance - June 30, 1978	\$ 8,346,507
Interest credited during year	310,136
Transfers upon retirement of members	7,397,179
Transfer from contingency reserve	
against adverse experience (See Note 8)	5,237,802
Benefits paid	(4,683,917)
Balance - June 30, 1979	<u>\$16,607,707</u>

b. Not Yet Granted:

This account represents the accumulated contributions, plus interest, to provide for future annuities and pensions for currently active members.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 8 - CONTINGENCY RESERVE AGAINST ADVERSE EXPERIENCE:

The contingency reserve against adverse experience represents the excess of investment income and gains realized over interest credited to accumulated contributions and reserve accounts at the rates established by the Retirement Board. This reserve was established to meet possible deficiencies in interest of future years, losses on investments, and other contingencies, as approved by the Retirement Board in 1949.

Effective June 30, 1979, based upon the actuary's recommendation and in accordance with Charter Section 8.526, the Retirement Board authorized the transfer of \$5,237,802 from the contingency reserve against adverse experience to the reserve for cost of living allowances. The following is a summary of the changes in the contingency reserve for the year ended June 30, 1979:

BALANCE - June 30, 1978		\$21,606,709
ADD:		
Bond interest earned	\$48,777,250	
Dividend income	7,588,322	
(Loss) on sale of stocks	(3,500,511)	
(Loss) on sale of bonds	(4,305,211)	
Equity in the earnings of real estate limited partnership	<u>2,608,000</u>	<u>51,167,850</u>
		72,774,559
LESS:		
Interest credited to accumulated contributions and reserves for fiscal 1979	43,390,806	
Transfer to reserve for cost of living increases	<u>5,237,802</u>	<u>48,628,608</u>
BALANCE - June 30, 1979		<u><u>\$24,145,951</u></u>

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 9 - ALLOWANCES AND BENEFITS PAID FROM
ACCUMULATED CONTRIBUTIONS:

A summary of the benefits paid during the year is as follows:

Service retirements	\$55,076,250
Disability retirements	21,946,231
Industrial death allowances	2,708,925
Death benefits to members' beneficiaries	1,924,304
Death benefits to beneficiaries of retired employees	3,338,433
Cost of living benefits	4,683,917
Permanent fund benefits	<u>14,209</u>
	<u>\$89,692,269</u>

NOTE 10 - ACCUMULATED BENEFITS:

The consulting actuary has calculated the total current value of accumulated benefits as of June 30, 1978, the date of the latest actuarial valuation at \$1,382,463,000 based on the census data on that date (See Note 12b). This amount represents the present value, discounted at 6.0% of pension benefits accumulated by individual participants, including retirees, based on their salary and service to June 30, 1978. It includes benefits earned assuming immediate 100% vesting, and is adjusted to reflect estimated mortality.

Net assets available for plan benefits at June 30, 1978 amounted to \$876,740,324. This amount was approximately \$127,000,000 above market and current fair values of the investments at June 30, 1978.

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 10 - ACCUMULATED BENEFITS (Continued):

The method used in calculating accrued benefits assumes the immediate discontinuation of the Plan and therefore immediate 100% vesting as opposed to assuming continuation of the Plan. Calculations assuming Plan continuation could result in a larger amount of accrued benefits at June 30, 1978, but in the opinion of the consulting actuary involves significant risk factors relating to assumptions pertaining to future occurrences.

NOTE 11 - ADMINISTRATIVE COSTS AND WORKERS COMPENSATION CLAIMS:

Administrative costs, other than those which relate to investments, of \$1,804,903 for the operation of the Retirement System and Workers Compensation claims of \$4,684,286 processed by the Retirement System are excluded from the accompanying financial statements. These costs and claims are the obligation of, and are assumed fully by, The City and County of San Francisco and are reflected in their financial statements.

In prior years, these costs and claims were reflected in the statements of changes in net assets available for plan benefits of the Retirement System as both a contribution from the City and County of San Francisco and in like amounts as expenses paid and costs incurred.

NOTE 12 - FUTURE CONTRIBUTION RATES:

a. Contribution Rates July 1, 1979 - June 30, 1980:

The actuarial valuation and investigation referred to in Note 3 based upon membership data as of June 30, 1976



OFFICE OF THE TREASURER
REPORT OF EXAMINATION OF ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1979

CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER

February 1, 1981

John C. Farrell
Controller
City and County of San Francisco

Treasurer: Examination of Accounts
Fiscal Year Ended June 30, 1979


Dear Mr. Farrell:

Under your direction and pursuant to the provisions of Charter Section 3.303, we have examined the Treasurer's financial statements and records.

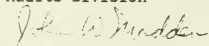
Our examination was made in accordance with generally accepted auditing standards and procedures, and accordingly included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying report with schedules attached presents fairly the financial condition of the Treasurer at June 30, 1979 and the results of its operation for the fiscal year then ended, on a basis consistent with that of the preceding year.

Report Approved:


JOHN C. FARRELL
CONTROLLER

Respectfully submitted,
Audits Division


John W. Madden
Chief of Audits

JCF:JWM:ss

REPORT ON EXAMINATION

The Treasurer's accountability for cash and securities as of June 30, 1979, amounted to \$1,545,207,951.00 compared to June 30, 1978 total of \$1,335,208,559.00 as detailed below.

	<u>June 30, 1979</u>	<u>June 30, 1978</u>
<u>Cash and Cash Items</u>		
Cash and Cash Items on Hand	\$ 1,351,035.00	\$ 1,237,961.00
Cash in Banks and Securities	570,756,634.00	448,719,389.00
U.S. Bonds (Par Value)	750.00	6,700.00
Cash Received after June 30th	<u>15,554,147.00</u>	<u>13,735,044.00</u>
Total	<u>\$587,662,566.00</u>	<u>\$463,699,094.00</u>
<u>Securities (Par or Face Value)</u>		
<u>Bonds</u>		
Employees Retirement Fund	\$720,711,510.00	\$697,038,156.00
Bequest and Trust Funds	188,800.00	190,500.00
Deposit on Leases	<u>153,622.00</u>	<u>130,000.00</u>
Total	<u>\$721,053,932.00</u>	<u>\$697,358,656.00</u>
<u>Stock and Investment Certificates</u>		
Employees Retirement Fund	\$235,758,397.00	\$174,007,829.00
Bequest Funds	2,056.00	2,025.00
Deposit on Leases	<u>731,000.00</u>	<u>140,955.00</u>
Total	<u>\$236,491,453.00</u>	<u>\$174,150,809.00</u>
Total Securities	<u>\$957,545,385.00</u>	<u>\$871,509,465.00</u>
Total Cash and Cash Items and Securities	<u>\$1,545,207,951.00</u>	<u>\$1,335,208,559.00</u>

Comments follow on the above summary and on other matters concerned in this examination.

REPORT ON EXAMINATION

The Cash and Cash Items totaled \$587,662,566.00, as compared to the Equity in Treasurer's Cash of \$556,220.090.00. The difference represents net outstanding warrants in the amount of \$31,442,476.00.

Cash and Cash Items on Hand \$1,351,035.00

The sum of \$1,351,035.00 consists of:

Coin and Currency	\$ 565,267.65
Checks on Hand for Deposit	785,467.31
Due from Cash Difference	
Fund	<u>300.00</u>
Total	<u><u>\$1,351,034.96</u></u>

Verified by count - all
current. Deposited in
Bank July 1, 1979.

REPORT ON EXAMINATION

Cash in Banks \$570,756,634.00 (as reconciled to Treasurer's Records.)

Cash in Banks was confirmed by direct correspondence with the banks.

All Inactive accounts are maintained in compliance with Government Code Section 53643:

"The Treasurer may deposit any part of the money for a definite term agreed upon between him and the depository. The term shall not exceed one year."

Board of Supervisors Resolution No. 3469 adopted August 17, 1937, authorized the Treasurer to enter into the necessary agreement with the banks, as required by law, for the deposit of funds under his jurisdiction, and to determine the amount that shall be deposited in either the active or inactive accounts.

The amounts on deposit in banks on June 30, 1979 are within the limitation specified in Government Code Section 53638:

"The deposit shall not exceed the total of the paid up capital and surplus of any depository."

Legislation was passed during 1976-1977 enabling local agencies to deposit funds with Savings and Loan Associations. Implementation procedures were finalized by the State Superintendent of Banks in November 1976. Deposits up to \$100,000.00 are insured under F.S.L.I.C. Government Code Section 53653, applicable to Public Corporations. Deposits over \$100,000.00 are collateralized under Government Code Section #53659.

Since December 1, 1971, the Treasurer has had authority under Ordinances 291-71 and 34-72 to make short term investments of surplus funds in the active bank accounts.

Interest income earned from U.S. Government securities to June 30, 1979 was \$4,541,113.00. Interest and other earnings from the active and inactive accounts totaled \$37,895,526.00.

United States Bonds (Par Value) \$750.00

United States Bonds consists of Municipal Court bail deposits.

REPORT ON EXAMINATION

Cash Items Received after June 30, 1979 \$15,554,187.00

This item represents 1978-1979 collections which were deposited with the Treasurer in July and August 1979.

Securities (Par Value) \$957,545,385.00

Securities summarized below, are held in the joint custody vault, as provided by Charter Section 6.310.

<u>Securities charged to the Treasurer</u>	<u>Par Value</u>
<u>Bonds</u>	
Employees Retirement Fund	\$720,711,509.96
Bequest Funds	173,800.00
Trust Funds	15,000.00
Deposit on Leases	<u>153,622.43</u>
Total	<u>\$721,053,932.39</u>
<u>Miscellaneous</u>	
Corporate Stock (Employees Retirement)	\$195,758,396.30
Corporate Stock (Bequest Funds)	2,056.00
Real Estate Equity Funds (Retirement System)	40,000,000.00
Deposit on Leases	<u>731,000.00</u>
Total	<u>\$236,491,452.30</u>
Total Securities, June 30, 1979	<u>\$957,545,384.69</u>

Book value of the bonds of the Employees Retirement Fund will be verified and reported by the firm of Hood and Strong, Certified Public Accountants, in connection with their audit of the Retirement System. Book value of the other securities charged to the Treasurer will be verified and reported by the firm of Touche Ross and Company, Certified Public Accountants, in connection with their audit of the Office of the Controller.

Bonds (Par Value) Employees Retirement Fund \$720,711,510.00

Verification and physical count of bonds was made in conjunction with representatives of Hood and Strong, Certified Public Accountants, in connection with their audit of the Employees Retirement System.

Pursuant to the Controller's instruction, bonds and coupons maturing during the fiscal year were examined and released by the Controller's Division of Accounts and Reports to the Treasurer for collection. Reports reflecting monthly collections for 1978-1979 were prepared by the Controller's Division of Accounts and Reports and transmitted to the Employees Retirement Board.

REPORT ON EXAMINATION

Transactions during the year under review are summarized as follows:

Balance July 1, 1978 Bonds	\$697,038,156.45
Purchased	<u>197,325,356.70</u>
Total	\$894,363,513.15
Sold, Called, or Matured	<u>173,652,003.19</u>
Balance June 30, 1979 Bonds	<u>\$720,711,509.96</u>
Balance July 1, 1978 Stocks	\$154,007,828.82
Purchased	<u>120,619,696.55</u>
Total	\$274,627,525.37
Sold	<u>78,869,129.07</u>
Balance June 30, 1979 Stocks	<u>\$195,758,396.30</u>
Balance July 1, 1978 Real Estate Equity Funds	\$ 20,000,000.00
Purchased	<u>20,000,000.00</u>
Total	\$ 40,000,000.00
Sold	<u>-0-</u>
Balance June 30, 1979 Real Estate Equity Funds	<u>\$ 40,000,000.00</u>
Total Securities at June 30, 1979	<u>\$956,469,906.26</u>

Bonds (Par Value) Bequest and Trust Funds \$188,800.00

Bonds in the above amount and unmatured interest coupons attached were examined and verified with the Controller's records.

Interest collections on Bequest and Trust Funds are audited currently by the Controller's Division of Accounts and Reports.

Bonds (Par Value) Deposit on Leases \$153,622.00

These bonds represent security on various leases of City and County property.

Other Corporate Securities \$2,112.00

This amount represents par value of stocks belonging to Bequest Funds

Other Certificates \$731,000.00

These represent Certificates of Deposit and Investment Certificates deposited with the Treasurer as security on various leases.

REPORT ON EXAMINATION

Collateral Securities

Deposit of public funds is regulated by Government Code Sections 53630-53681. Certain important provisions regarding the collateral area:

Section 53652 requires a depository to maintain with an agent collateral securities having a market value of at least 10% in excess of the total of public funds deposited.

Section 53654 permits agents to maintain securities in a collateral securities pool. The agents are not required to segregate specific securities to match individual public deposits.

Section 53662 gives the Treasurer authority to reject any security he deems not qualified under Section 53651 to secure public deposits.

Section 53661 designates the State Superintendent of Banks as Administrator of Local Agency Security responsible for administration of Sections 53630-53681.

Authorized City and County Bonds - Unissued - \$207,095,000.00

Unissued City and County Bonds at June 30, 1979 represent the remainder of issues authorized by the electorate.

There were no printed unsold bonds on hand. It is the practice of the Treasurer to order the printing of bonds when a sale has been made by the Board of Supervisors.

Fiscal Agent - Citibank, N.A. - \$11,649.18

Ordinance No. 1184, approved May 30, 1941, designates the First National Citibank of New York, now known as Citibank, N.A., as the fiscal agent of the City and County of San Francisco for the purpose of providing payment in the City of New York of principal and interest due on bonds issued by the City and County of San Francisco and provides rates of compensation for such fiscal agent. File No. 444-68, Ordinance No. 244-68, approved August 17, 1968 provides for an agreement to be made for schedule of payments. Such agreement was entered effective August 28, 1968.

United States Savings Bonds

The purchase of United States Savings Bonds by City and County employees under the Payroll Allotment Plan was authorized by the Board of Supervisors' Resolution No. 2666, adopted June 2, 1942 and No. 3786, adopted January 17, 1944.

The issue value of bonds purchased during the fiscal year for the City and County employees was \$711,723.25 as compared with \$901,781.26 for the prior fiscal year.

REPORT ON EXAMINATION

Revenues and Expenditures

Revenues exceeded expenditures and encumbrances by \$42,002,735.00. A comparison with the previous fiscal year follows:

<u>Revenues</u>	<u>1978-1979</u>	<u>1977-1978</u>
Interest earned on U.S. Treasury Notes	\$ 4,541,113.00	\$ 9,256,779.00
Interest earned on Inactive and Active Book Deposits	37,801,999.00	15,250,297.00
Commissions received on inheritance tax collections	93,481.00	84,527.00
Other Fees	46.00	1,585.00
Conscience Money	<u>-0-</u>	<u>1,580.00</u>
Total	\$42,436,639.00	\$24,594,768.00

Expenditures

Total Expenditures	433,904.00	456,203.00
Excess of Revenues over Expenditures	<u>\$42,002,735.00</u>	<u>\$24,138,565.00</u>

Interest on Bank Deposits \$42,343,112.00

In accordance with Government Code Sections 53645 and 53649, interest is computed at rates specified in depository agreements on average daily balances. Such interest was received quarterly.

Commission on Inheritance Tax Collections \$93,481.00

Inheritance Tax Commissions and Settlements with the State for the twelve months ended June 30, 1979 are summarized as follows:

Inheritance Tax Collections		\$40,593,688.00
Less: Referee's Claims	\$ 11,138.00	
Collections for Other Counties	17,482.00	
Remittance to State of California	<u>40,471,587.00</u>	<u>40,500,207.00</u>
Commissions Earned		<u>\$ 93,481.00</u>

Accounts maintained for Inheritance Tax purposes are recorded on State Controller pre-numbered forms, subject to settlement with the State every ten days and to an audit by the State Controller's Office. Such audit was not duplicated in this examination.

REPORT ON EXAMINATION

Pursuant to Revenue and Taxation Code Section 14797, amended June 1, 1975, the commissions a Treasurer of a county may retain for a calendar year is now based on a commission rate table. The commission is determined upon a fixed sum plus a percentage over an amount collected.

Other Fees \$1,585.50

Miscellaneous Revenue consists primarily of receipts from issuance of "Duplicate Tax Receipts" and "Listing Contents of Safe Deposit Box" collected in accordance with Revenue and Taxation Code Sections 14144 and 14346.

Expenditures \$433,904.00

Expenditures compared with budget appropriations for 1978-1979 are as follows:

	<u>Appropriations As Modified</u>	<u>Expenditures & Encumbrances</u>
Permanent Salaries	\$364,971.00	\$357,957.00
Allowance for Overtime	1,250.00	928.00
Contractual Services	121,836.00	42,193.00
Use of Employees Cars	1,300.00	1,091.00
Travel	750.00	756.00
Materials and Supplies	10,050.00	9,678.00
Equipment	12,187.00	8,142.00
Services of Other Departments	34,332.00	13,159.00
Total	<u>\$546,676.00</u>	<u>\$433,904.00</u>

Expenditures and encumbrances are currently audited by the Controller's General Office. Such audit was not duplicated during this examination.

Cash Difference Fund

Ordinance No. 68-58, approved February 15, 1958, created a Cash Difference Fund and an Overage Fund in connection with certain offices and departments of the City and County and prescribed the method for the administration of the funds. Since 1963, overages have been deposited immediately to the General Fund Surplus rather than to the Overage Fund.

The operation of these two funds are summarized as follows:

<u>Cash Difference Fund</u>	<u>Fund</u>
	<u>Overage</u> <u>Difference</u>
Balance, July 1, 1978	- \$ 354.96
Add:	
Replenishment	995.42
Total Available	- \$1,350.38
Less:	
Disbursements	- 1,348.78
Balance June 30, 1979	- \$ 1.60

REPORT ON EXAMINATION

The balance in the Cash Difference Fund was verified by count.

Note: As of June 30, 1979 there were twelve (12) non reimbursed items due to unavailable cash in this fund. The aggregate total is \$433.00. A supplemental appropriation in the amount of \$1,500.00 to replenish this fund was given final passage by the Board of Supervisors on June 25, 1979 and is now awaiting the approval and signature of the Mayor.

Surety Bond - Treasurer

Thomas C. Scanlon, Treasurer, is bonded for \$200,000.00 in accordance with Charter Section 3.405. The Pacific National Company Bond number 210-13-93 for this amount covers the period January 4, 1979 to January 4, 1980. The Controller has custody of the bonds in accordance with Charter Section 3.304.

Forgery Insurance

Forgery Insurance up to \$100,000.00 (\$200.00 aggregate deductible) is provided by Continental Insurance Company, Policy No. BN-D214-8475 for the period May 15, 1978 to May 15, 1981. Policy is on file with the Controller.

Items Held for Safekeeping

Miscellaneous items forwarded by the other departments to the Treasurer for safekeeping were inventoried. Details are on file with the Controller's Audits Division.

**SWELL
BOOKBINDING**

RARY DIVISION

NORTH 29th AVENUE
PHOENIX, ARIZONA 85009
PHONE: (602) 272-9338

AL TRIM	DATE
	JOB
D DIM.	LOT
H DIM	ROUTE
H BIN	SEQ NO.

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